

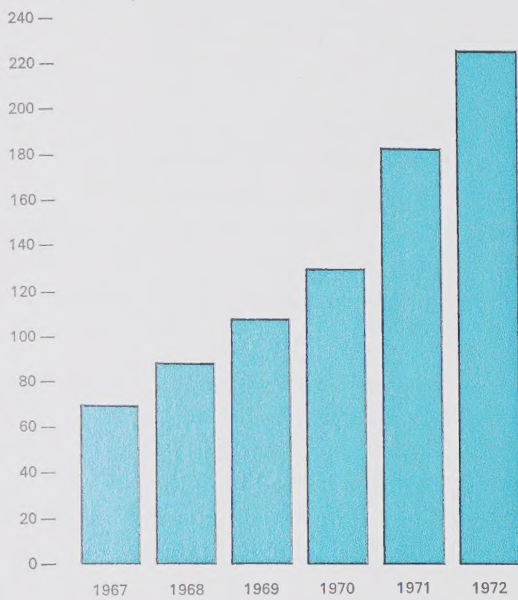
AR28

1972 annual report

 **Hunter Douglas Group**

net sales

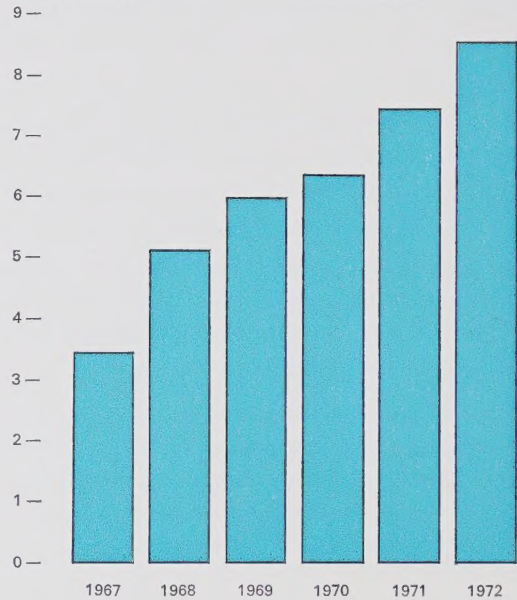
millions U.S. \$



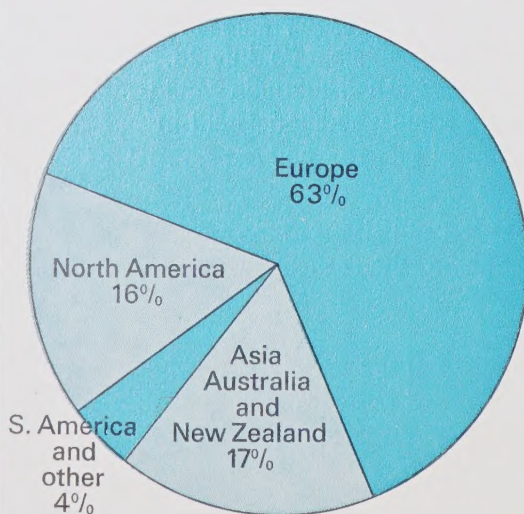
net income after tax

millions U.S. \$

(and minority interest)



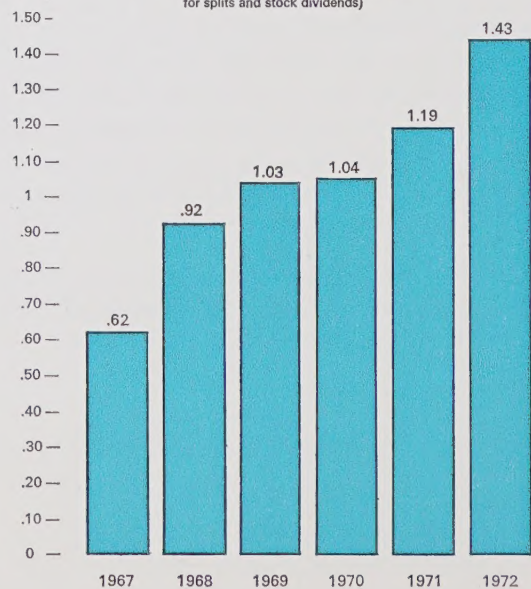
geographic distribution of 1972 sales



earnings per share

U.S. \$

(per average number of shares
outstanding during the year, adjusted
for splits and stock dividends)



Consolidated statement of income

for the year ended January 6, 1973, in U.S. dollars (note 1)

	1972	1971
	\$	\$
Sales, less returns and allowances	223,541,282	179,504,539
Cost of sales	156,223,039	122,081,974
Gross profit	67,318,243	57,422,565
Selling, general and administrative expenses	48,660,458	40,810,716
Income from operations	18,657,785	16,611,849
Other expenses and (income)		
Interest expense — long-term debt	1,314,803	1,064,257
— other	2,935,843	2,426,910
Foreign exchange	(248,276)	(392,059)
Interest income	(696,388)	(771,109)
Miscellaneous — net (note 7)	(699,295)	(192,033)
	2,606,687	2,135,966
Income before income taxes	16,051,098	14,475,883
Income taxes	5,933,727	6,097,831
Income before minority interest	10,117,371	8,378,052
Minority interest	1,385,158	1,119,893
Net income	8,732,213	7,258,159
Net income per common and deferred share		
(based on the average number outstanding during the year, adjusted for stock dividends)	\$ 1.43	\$ 1.19

Consolidated statement of retained earnings

for the year ended January 6, 1973, in U.S. dollars (note 1)

	1972	1971
	\$	\$
Balance — beginning of year	47,801,520	40,543,361
Net income	8,732,213	7,258,159
	56,533,733	47,801,520
Dividends	37,124	—
Balance — end of year	56,496,609	47,801,520

The appended notes are an integral part of the financial statements.

Consolidated balance sheet

as at January 6, 1973, in U.S. dollars (note 1)

Assets		
	1972	1971
	\$	\$
Current assets		
Cash	4,214,987	4,248,583
Notes and accounts receivable (less allowances 1972 — \$ 3,160,114; 1971 — \$ 2,759,562) . . .	46,647,142	41,729,992
Inventories (note 1)		
Finished goods	26,146,383	24,398,830
Work in process	18,829,692	18,758,153
Raw materials	16,002,105	13,905,148
Prepaid expenses and other current assets	7,400,288	6,360,306
Total current assets	<u>119,240,597</u>	<u>109,401,012</u>
Property, plant and equipment (note 1)		
Land	4,834,827	4,185,864
Buildings	26,125,164	23,652,585
Machinery and equipment	49,341,548	43,370,942
Cost	80,301,539	71,209,391
Accumulated depreciation	36,386,580	32,810,205
	<u>43,914,959</u>	<u>38,399,186</u>
Other assets		
Investments in and advances to unconsolidated subsidiaries and other companies — at cost (note 1)	1,718,870	1,554,860
Notes and accounts receivable — long-term	3,564,601	3,313,480
Employee housing — net of related mortgages payable of \$ 1,576,616 (1971 — \$ 1,655,311) (note 1)	1,405,390	1,383,119
Intangible assets — at cost less amortization	1,113,819	151,281
Excess of investments in subsidiaries over net assets at dates of acquisition	5,089,329	3,914,799
	<u>12,892,009</u>	<u>10,317,539</u>
	<u>176,047,565</u>	<u>158,117,737</u>

Signed on behalf of the Board:

Ralph Sonnenberg, *Director*

Frank B. Craig, *Director*



Hunter Douglas

Consumer and Leisure

Building and Architectural

Products

Hunter Douglas Products



BUILDING AND ARCHITECTURAL

- | | |
|---------------------------|---------------------------|
| 1. Sun Louvre | 8. Lighting Columns |
| 2. Sandwich Wall | 9. Exterior Panel Ceiling |
| 3. Facade Cladding | 11. Plywood Panelling |
| 4. Outside Venetian Blind | 22. Heating Boiler |
| 5. Screen Ceiling | 23. Residential Siding |
| 6. Facade Band | 24. Shutter |
| 7. Panel Ceiling | 25. Garage Door |

No securities commission or similar authority in Canada has in any way passed upon the merits of the securities offered hereunder and any representation to the contrary is an offence.

EXCHANGE OFFER

**to the Canadian resident holders of One Guilder (hfl.1) par value common shares
of
HUNTER DOUGLAS N.V.**

**600,000 Can.\$14 par value cumulative, voting, preferred shares
of
HUNTER DOUGLAS CANADA LIMITED**

We, as principals, hereby offer to acquire from the Canadian resident holders of hfl.1 par value common shares ("HDNV Common Shares") of Hunter Douglas N.V. ("HDNV"), on the terms and subject to the conditions set forth herein, up to 600,000 HDNV Common Shares on the basis of **one** Can.\$14 par value cumulative, voting, preferred share of Hunter Douglas Canada Limited ("HDCL Preferred Share") for **one** HDNV Common Share.

**Each HDCL Preferred Share will be exchangeable at the holder's option
at any time up to December 31, 1990, for one HDNV Common Share.**

This exchange offer will expire at 5.00 p.m. local time at the place of tender on January 3, 1972, unless extended.

If all duly tendered HDNV Common Shares would require the issue of less than 100,000 HDCL Preferred Shares, we may, at our option, either accept all such HDNV Common Shares or return the same to the tendering holders.

There is no market for HDCL Preferred Shares. Application has been made to list the HDCL Preferred Shares on the Montreal Stock Exchange. Acceptance of the application is subject to the filing of documents and evidence of satisfactory distribution, both within 90 days.

Following the happening of the events described on page 7 under the heading "Reorganization of Parent Company", holders of Can.\$35 par value common shares of Hunter Douglas Limited ("HDL") have received HDNV Common Shares as a distribution of the assets of HDL.

Hunter Douglas Canada Limited is a subsidiary of Hunter Douglas N.V.

Greenshields Incorporated

November 9, 1971

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Statutory Rights of Withdrawal and Rescission

Sections 64 and 65 of The Securities Act (Ontario), sections 64 and 65 of The Securities Act (Alberta), sections 70 and 71 of The Securities Act, 1967 (Saskatchewan) and sections 63 and 64 of The Securities Act (Manitoba) provide, in effect, that where a security is offered to the public in the course of primary distribution, in certain events and subject to certain conditions:

(a) a purchaser will not be bound by a contract for the purchase of such security if written or telegraphic notice of his intention not to be bound is received by the vendor or his agent not later than midnight on the second business day after the final prospectus or amended final prospectus offering such security is received or is deemed to be received by him or his agent; and

(b) a purchaser has the right to rescind a contract for the purchase of such security, if the final prospectus or any amended final prospectus offering such security, as of the date of receipt, contains an untrue statement of a material fact or omits to state a material fact necessary in order to make any statement therein not misleading in the light of the circumstances in which it was made, but no action to enforce this right can be commenced by a purchaser after the expiration of 90 days from the later of the date of such contract or the date on which such final prospectus or amended final prospectus is received or is deemed to be received by him or his agent.

Sections 61 and 62 of the Securities Act, 1967 (British Columbia) provide in effect that, where a security is offered to the public in the course of primary distribution, a purchaser has the same right of rescission described in (b) above while still the owner of the security and also that a purchaser has a right to rescind a contract for the purchase of a security, while still the owner thereof, if a copy of the last prospectus, together with financial statement and reports and summaries of reports relating to the securities as filed with the British Columbia Securities Commission, was not delivered to him or his agent prior to delivery to either of them of the written confirmation of the sale of the securities. Written notice of intention to commence an action for rescission based on non receipt of a prospectus must be served on the person who contracted to sell within 60 days of the date of delivery of the written confirmation, but no action shall be commenced after the expiration of three months from the date of service of such notice.

Reference is made to the said Acts for the complete texts of the provisions under which the foregoing rights are conferred and the foregoing summary is subject to the express provisions thereof.

**TO THE CANADIAN RESIDENT HOLDERS
OF HFL.1 PAR VALUE COMMON SHARES IN THE CAPITAL STOCK
OF HUNTER DOUGLAS N.V.:**

November 9, 1971

The undersigned ("Offeror") hereby offers to acquire, as principal, from the Canadian resident holders of hfl.1 par value common shares ("HDNV Common Shares") in the capital stock of Hunter Douglas N.V. ("HDNV") up to 600,000 HDNV Common Shares by exchange of one (1) Can.\$14 par value cumulative, voting, preferred share ("HDCL Preferred Share") in the capital stock of Hunter Douglas Canada Limited ("HDCL") for each HDNV Common Share.

Your attention is drawn to paragraph 3 below, which in part states that this Offer shall not become binding upon the Offeror unless the conditions stated therein are satisfied.

This Offer is subject to the following terms and conditions:

1. Method of Acceptance

This Offer may be accepted by tendering to and depositing with the Montreal, Toronto, Calgary, Regina, Saint John, Vancouver or Winnipeg offices of Montreal Trust Company (the "Exchange Agent") certificates for HDNV Common Shares accompanied by a duly completed Transmittal Letter in the form attached. Certificates for HDNV Common Shares, if registered in the name of the accepting shareholder, need not be endorsed, but the Transmittal Letter must be executed and the execution guaranteed, all as specified in the Transmittal Letter.

2. Time for Acceptance

This Offer may be accepted until, but not after 5 p.m. local time at the applicable place of deposit on January 3, 1972, provided that the Offeror in its discretion — the terms and unwaived conditions of this Offer ("Terms") having been met — may from time to time or at any time extend the date and time for acceptance of this Offer to a date not later than January 31, 1972, by written notice to the Exchange Agent in Montreal (such date or extended date hereafter called "Closing Date").

3. Conditions

This Offer shall not be binding on the Offeror unless on or before the Closing Date:

(a) the Offeror shall have been furnished with such opinions of its counsel and with such opinions, certificates, affidavits or statutory declarations of the officers of HDNV and of HDL and their respective counsel, as the Offeror and its counsel may reasonably think necessary to establish that substantially all of the net assets of Hunter Douglas Limited ("HDL") have been transferred to HDNV against issue of HDNV shares as described on page 7 and HDL has adopted the plan of complete liquidation described on page 7 and has effected the liquidating distribution to its shareholders which is contemplated by such plan;

(b) not less than 100,000 HDNV Common Shares shall have been duly tendered pursuant to the Offer and not withdrawn.

The above conditions are inserted for the exclusive benefit of the Offeror and may be waived in whole or in part by it at any time, provided, however, that if the Offeror takes up any duly tendered HDNV Common Shares under this Offer, it shall take up all such shares up to a maximum of 600,000 such shares.

4. Taking up of Shares

If the Terms have been met on or before the Closing Date, the Offeror will on the Closing Date take up all duly tendered HDNV Common Shares. Deposited HDNV Common Shares which are not accepted under

the Terms, will within thirty days after the Closing Date be returned by insured mail to the address specified in the Transmittal Letter.

To the best of the Offeror's knowledge and belief, Canadian residents do not on the date hereof hold more than 600,000 HDNV Common Shares. If more than 600,000 HDNV Common Shares are duly tendered hereunder, the shares taken up by the Offeror shall be taken up as nearly as may be pro rata, disregarding fractions, to the number of shares tendered by each shareholder.

5. Delivery of Consideration

Certificates representing HDCL Preferred Shares to be delivered in exchange for HDNV Common Shares taken up hereunder will be forwarded by insured mail within thirty days after the Closing Date. Delivery of HDCL Preferred Shares shall be deemed to have been made as soon as they have been placed in the mail. Such certificates may be interim certificates exchangeable without cost for definitive certificates when available.

6. Registered Mail

Shareholders of HDNV who wish to forward their certificates by mail are advised to use registered mail for their protection.

7. Right of Withdrawal

HDNV Common Shares deposited pursuant to this Offer may be withdrawn by the depositing shareholders at any time until expiration of seven days from the date of this Offer, in which case they will be returned in accordance with paragraph 4. See also "Statutory Rights of Withdrawal and Rescission" on page 2.

8. Transfer Taxes

The Offeror will pay any stock transfer taxes which may be payable by reason of its acquisition of HDNV Common Shares and the issuance of HDCL Preferred Shares to depositing shareholders or their nominees pursuant to this Offer. If, however, additional transfer taxes are payable by reason of this Offer being accepted by a person other than the registered holder of the HDNV Common Shares, or for any other reason, the amount of such additional transfer taxes must be paid by the person accepting the Offer if evidence of the payment of such additional taxes or exemption therefrom is not provided.

9. Market for HDCL Preferred Shares

There is no market for HDCL Preferred Shares. Application has been made to list the HDCL Preferred Shares on the Montreal Stock Exchange. Acceptance of the application is subject to the filing of documents and evidence of satisfactory distribution, both within 90 days.

10. Proper Law

This Offer and any contract resulting from its acceptance shall be interpreted in accordance with and be governed by the laws of the Province of Manitoba.

GREENSHIELDS INCORPORATED

PROSPECTUS WHICH FORMS PART OF THE PRECEDING OFFER DATED NOVEMBER 9, 1971.

DESCRIPTION OF SECURITY OFFERED

Under an agreement with Greenshields Incorporated ("Offeror") dated October 15, 1971, Hunter Douglas Canada Limited ("HDCL") has agreed to issue and deliver to the Offeror for a consideration of Can.\$14 per share such number of its Can.\$14 par value cumulative, voting, preferred shares ("HDCL Preferred Shares") as the Offeror may, prior to the Closing Date, as defined on page 3, become obligated to deliver in exchange for hfl. 1 par value common shares ("HDNV Common Shares") of Hunter Douglas N.V. ("HDNV") pursuant to this Offer and to pay the Offeror a fee of \$30,000 for its services in this connection. This agreement requires that each form of HDCL Preferred Share certificate shall contain an irrevocable undertaking by HDNV to the following effect:

(1) that it will cause one HDNV Common Share to be delivered in exchange for each HDCL Preferred Share deposited in fully negotiable form with the Montreal, Toronto, Calgary, Regina, Saint John, Vancouver and Winnipeg offices of its agent, Montreal Trust Company, prior to December 31, 1990; and

(2) that it will cause sufficient funds to be provided to HDCL to permit HDCL to pay preferential dividends and, if applicable, a preferential liquidation distribution on the HDCL Preferred Shares as described below.

Rights and Conditions

Each HDCL Preferred Share carries the right to receive, in preference to the HDCL Common Shares, if and when declared by HDCL's Board of Directors out of HDCL's funds legally available for this purpose, a cumulative dividend, equal to the dividend on each HDNV Common Share, whenever a dividend is distributed on HDNV Common Shares. If a dividend is distributed on HDNV Common Shares in a currency other than Canadian dollars or in kind, the corresponding dividend on HDCL Preferred Shares is the equivalent per share in Canadian currency rounded to the nearest cent. If a dividend consisting of HDNV Common Shares or fractions thereof is distributed on HDNV Common Shares, distribution of an equal number or fraction of HDCL Preferred Shares per share is an equivalent dividend on the HDCL Preferred Shares. If a dividend consisting (at the option of each holder of HDNV Common Shares) of cash or HDNV Common Shares or fractions thereof is distributed on the HDNV Common Shares, distribution on each HDCL Preferred Share of (at the option of each holder of HDCL Preferred Shares) the same amount of cash per share or an equal number or fraction of HDCL Preferred Shares per share is an equivalent dividend on the HDCL Preferred Shares. If a dividend is distributed on HDNV Common Shares in cash or kind at the option of the holder, the cash distribution exclusively determines the equivalent distribution on the HDCL Preferred Shares. The HDCL Preferred Shares are not entitled to participate further in HDCL's earnings. Upon liquidation of HDCL, each HDCL Preferred Share is entitled, in preference to the HDCL Common Shares, to a liquidation distribution equal to its par value plus cumulative dividend arrears, if any, but may not participate further.

As long as HDNV follows the dividend policy on HDNV Common Shares described on page 7, the cumulative annual dividend on the HDCL Preferred Shares will be the Canadian dollar equivalent of hfl. 1.00 per share (approximately Can.\$.30 at present exchange rates). Any increase, decrease or suspension of dividend payments on HDNV Common Shares will result in a corresponding increase, decrease or suspension of the cumulative annual dividend on the HDCL Preferred Shares for the corresponding period.

Each HDCL Preferred Share and each HDCL Common Share is entitled to one vote. If, within 12 months after distribution of any dividend on HDNV Common Shares, HDCL shall have failed to make corresponding distribution(s) on HDCL Preferred Shares, as provided above, the HDCL Preferred Shares as a class may exercise 51% of the voting power at meetings of shareholders until such default has been remedied. HDCL Preferred Shares are redeemable at par at any time after December 31, 1990.

The above described rights of HDCL Preferred Shares will be adjusted in case of subdivision or consolidation of HDNV Common Shares.

Eligibility for Investment

In the opinion of counsel, the HDCL Preferred Shares offered by this prospectus will be investments in which the Canadian and British Insurance Companies Act states that companies registered under Part III thereof may, without availing themselves for that purpose of the provisions of subsection (4) of Section 63 of the said Act, invest their funds.

Tax Treatment of HDCL Preferred Shares and HDNV Common Shares

Under existing Canadian income tax legislation, distributions on HDCL Preferred Shares qualify for dividend tax credit if made to Canadian resident individuals and as tax free intercorporate dividends if made to Canadian corporations. The HDCL Preferred Shares will qualify as "Canadian" property under the Canadian government's proposed tax reform legislation (Bill C-259). Distributions thereon would thus qualify for the credits and/or refunds, as provided therein, and trusts for employee pension plans, registered retirement savings plans and deferred profit sharing plans will not be required to treat such shares as foreign property.

Under existing Canadian income tax legislation, distributions on HDNV Common Shares would not be eligible for the dividend tax credit for individual Canadian resident shareholders, and Canadian resident corporations would not be able to claim the benefit of the tax-free intercorporate dividend. Tax credits or refunds pursuant to the proposed tax reform legislation would not be available to Canadian resident individuals or corporations in respect of distributions on HDNV Common Shares. Under the same proposed legislation, foreign property of trusts for employee pension plans, registered retirement savings plans and deferred profit sharing plans is limited to 10% of their assets taken at cost. HDNV Common Shares will be foreign property within the meaning of the foregoing and subject to a special tax on excess foreign property held at the end of each month. Investment corporations will be subject to a test based on source of gross revenues in order to qualify for a special deduction from tax designed to integrate taxation of capital gains of such corporations with the tax treatment of the individual shareholders. Dividends on HDNV Common Shares would be treated as revenue from sources outside of Canada for purposes of the test. Tax exempt employee pension plans, registered retirement savings plans and deferred profit sharing plans which have no Canadian tax against which to claim credit for Dutch withholding tax deducted at source on dividends on HDNV Common Shares (presently 15% on dividends paid to Canadian residents), would suffer a net reduction of dividend income based on the applicable rate of withholding tax.

The foregoing is based on the opinion of Canadian counsel for HDNV and HDCL. Comments on the proposed tax reform legislation are subject to the reservation that this legislation has not yet become law and may be altered in the course of the legislative process.

HUNTER DOUGLAS N.V. AND THE HUNTER DOUGLAS GROUP

General Description

The Hunter Douglas Group now consists of HDNV, a Netherlands Antilles company, and its more than seventy subsidiaries ("Hunter Douglas Group" or "Group") which are engaged internationally in development, manufacture and distribution of aluminum consumer, architectural and building products and raw materials therefor. The Hunter Douglas Group also develops, manufactures and sells machinery, machine tools and equipment. Its products are distributed in over seventy-five countries.

HDNV was incorporated on September 30, 1971, and has become the Hunter Douglas Group's new corporate parent by acquisition of the entire business and net assets of Hunter Douglas Limited ("HDL"), the previous parent of the Hunter Douglas Group, against issuance of shares which HDL distributed in liquidation. HDNV is resident in the Netherlands and has its principal office at Piekstraat 2, Rotterdam, Netherlands. A statutory office is maintained at Handelskade 8, Willemstad, Curaçao.

HDL was organized on December 31, 1963, by amalgamation of two predecessor companies. On October 2, 1970, the management of HDL, then Group parent company, moved from Pointe Claire, Quebec, to

Rotterdam, Netherlands, where the Group has its largest operation. Placing central management and control in Europe at the heart of the Group's aluminum products and machinery and equipment business increased management efficiency and streamlined Group administration. HDL's principal office is at Piekstraat 2, Rotterdam, Netherlands. A statutory head office is maintained at 800 Place Victoria, Montreal, Quebec, Canada.

Reorganization of Parent Company

The Hunter Douglas Group has changed its structure by substituting a parent company which is organized in the Netherlands Antilles. The change has not materially affected the location and mode of operation of the management of the Group and its subsidiaries. The reorganization was deemed advisable in view of the location of the Company's management and principal offices in the Netherlands and certain changes proposed to be made in the Canadian tax system commencing January 1, 1972.

The proceedings described below have accomplished the transfer of HDL's entire business and net assets to HDNV against issuance of HDNV stock and the subsequent distribution of that stock in dissolution of HDL.

On October 25, 1971, HDL's shareholders voting at a special general meeting:

(a) authorized an agreement between HDL and HDNV pursuant to which HDL transferred to HDNV all of HDL's assets, subject to liabilities, at their book value in consideration of (i) assumption of all of HDL's liabilities and (ii) the issue to HDL as fully paid and non-assessable of a number of HDNV Common Shares equal to the number of the Can.\$.35 par value common shares of HDL ("HDL Common Shares") issued and outstanding on a Record Date (specified by HDL as November 1, 1971), and a number of hfl.1 par value deferred shares of HDNV ("HDNV Deferred Shares") equal to the number of Can.\$.35 par value deferred shares of HDL ("HDL Deferred Shares") issued and outstanding on the Record Date, but HDNV was not required to issue more than 7,000,000 HDNV Common and Deferred Shares in the aggregate.

(b) approved a plan of complete liquidation of HDL requiring HDL to distribute, as soon as practicable after receipt of the HDNV shares described above, one HDNV Common Share for each HDL Common Share issued and outstanding on the Record Date and one HDNV Deferred Share for each HDL Deferred Share issued and outstanding on the Record Date. The HDNV Common Shares distributed pursuant to this plan are entitled to receive the extraordinary dividend described under the heading "Extraordinary Dividend on HDNV Common Shares" on page 8.

(c) authorized an application for the surrender of the charter of HDL.

Following the distribution of HDNV shares under the above plan of liquidation, HDL has no substantial remaining assets and will surrender its Charter. Each HDL shareholder has received as many HDNV Common and/or Deferred Shares as equal the HDL Common and/or Deferred Shares which he owned on the Record Date.

HDNV has thus become the Hunter Douglas Group's new parent company and its shares have been distributed to the holders of HDL Common and Deferred Shares.

Dividends on HDNV Shares

Dividends are declared on HDNV shares by resolution of the shareholders. No dividend may be paid on HDNV Deferred Shares unless an equivalent dividend is declared on the HDNV Common Shares at the same meeting. Dividends may be declared on the HDNV Deferred Shares only if and to the extent that a resolution to that effect has been duly adopted at a separate meeting of the holders of the HDNV Deferred Shares held immediately prior to the general meeting of HDNV shareholders declaring a dividend. To the extent that HDNV Common Shares or fractions thereof are distributed on the HDNV Common Shares, the corresponding distribution on the HDNV Deferred Shares may be in HDNV Deferred Shares or fractions thereof.

Dividend Policy on HDNV Shares

At a general meeting held on October 4, 1971, HDNV's shareholders resolved that it would be HDNV's policy to distribute an annual dividend of hfl.1 (approximately equal to Can.\$.30 at current exchange rates)

on HDNV's Common Shares out of HDNV's funds legally available for such purpose as soon as practical after each annual general shareholders' meeting. HDNV Common Shares may be distributed as an alternative to cash (at the option of each shareholder) under such policy. This policy may be amended at subsequent general meetings of HDNV's shareholders.

Extraordinary Dividend on HDNV Common Shares

The October 4, 1971, general meeting also resolved to distribute out of HDNV's capital surplus an extraordinary dividend of one fifth of one HDNV Common Share on each HDNV Common Share issued to the holders of HDL Common Shares in the liquidating distribution described above, provided such liquidating distribution is made on or before December 23, 1971. The HDNV Deferred Shares do not participate in this extraordinary dividend, and HDNV has received commitments from all holders of HDL Deferred Shares not to convert their HDL Deferred Shares or HDNV Deferred Shares into HDL Common Shares or HDNV Common Shares prior to December 23, 1971.

In the opinion of counsel for HDNV, the distribution of HDNV Common Shares pursuant to the above is not subject to Canadian federal income tax or Netherlands withholding tax.

Background and Development

The business of the Hunter Douglas Group originated in 1919 when Henry Sonnenberg, the present Chairman, founded what was the beginning of its machinery operations in Germany. After 30 years of growth in this industry, the Group originated specialized continuous casting equipment and processes for aluminum, expanded into development of aluminum consumer and architectural products and manufacture of components therefor and created a network of over 300 franchised assembling distributors.

Expansion into manufacture and distribution of aluminum products started in the United States in the late 1940's and subsequently spread to most industrial nations. In 1956 the United States company, Hunter Douglas Aluminum Corporation, was sold. The Hunter Douglas Group retains all patent and trademark rights outside the U.S.A.

The Group participates in a newly established aluminum smelter in the Netherlands, which produces primary aluminum for its requirements.

The Group has pioneered many of its product lines and markets and has actively pursued the policy of creating a worldwide enterprise, now employing more than 7,500 persons. During the last ten years consolidated net sales have expanded 366%, and the Group has established or substantially expanded its manufacturing operations in the Netherlands, Germany, Australia, Canada, England, Spain, New Zealand, Colombia, Chile, Venezuela and Brazil. During the 12 months period ended June 30, 1971, the Group's total sales (including pro forma during these 12 months the sales of subsidiaries acquired after June 30, 1970) were distributed as follows:

Europe	64%
Australia & New Zealand	17%
Canada	14%
South America and other	5%

The Group's consolidated net sales (excluding the sales of subsidiaries prior to date of acquisition) and net income after taxes and elimination of minority interests beginning with the year 1961 (first year for which audited consolidated financial statements were prepared in comparable form) have been as follows:

	(in thousands of United States dollars)										
	1971 ¹	1970 ²	1969 ²	1968 ²	1967 ²	1966 ²	1965 ²	1964 ²	1963 ²	1962 ²	1961 ²
Net Sales	149,505	129,777	107,734	87,268	68,898	61,868	58,543	56,645	45,930	42,379	35,503
Net Income	6,685	6,341	5,980	5,105	3,405	2,899	2,975	3,388	2,890	2,628	2,114

¹Twelve months ended June 30 (unaudited)

²Twelve months ended December 31 (audited)

Consumer, Building and Architectural Products

Consumer, building and architectural products and semi-fabricated materials for industrial use are distributed in most major world markets and represent approximately 68% of the Group's consolidated sales. The majority of these products is manufactured from aluminum strip produced by the Group. The consumer products include a wide range of venetian blinds, shutters, awnings, insect screens and other window covering products, decorative wall panels, garden furniture, camping equipment and related product items. Building and architectural products include suspended ceilings, exterior and interior facades and cladding, insulated sandwich wall systems, sun louvres, residential and commercial siding, highway lighting poles and architectural and commercial extrusions.

Consumer, building and architectural products are marketed primarily through a network of over 300 assembling franchisees who are licensed under the Group's patents, trademarks and know-how to assemble, sell and install the products. The assembled consumer products are sold by distributors to retail stores and contractors or directly to the ultimate user. Building and architectural products are promoted to architects and builders.

The Group provides intensive technical, administrative, promotional and advertising support to its franchisees and distributors. Through continuous and extensive advertising the Group has become a leading factor in many markets under its principal trademarks, such as Flexalum, Luxaflex, Luxalon, Luxaply, and Rodiac. The Group exercises marketing and quality control over franchisees and finished products by specifying use of Group supplied equipment and components, limiting the handling of competitive products and setting manufacturing and marketing standards. Terms of franchising agreements vary in accordance with local conditions with maximum duration usually not in excess of ten years. Other agreements permit both parties to cancel after as little as three months notice.

The Group's sales and distribution methods tend to secure its market position, permit low-cost mass production of standard materials and product development in central locations and provide flexibility through assembly and distribution by independent local franchisees serving the special requirements of their markets.

The Group's major manufacturing facilities for consumer, building and architectural products are in the Netherlands, Australia and Canada. Other plants operate in New Zealand, Spain, Colombia, Venezuela, Chile and Brazil.

The largest and most integrated aluminum products manufacturing facility is in Rotterdam, owned by Hunter Douglas Holland, a partnership of two wholly-owned subsidiaries, Hunlas N.V. and N.V. Inland. The Rotterdam plant manufactures aluminum strip from ingot and scrap in a continuous process originated and developed by the Group, which efficiently produces aluminum strip of the high quality required in the Group's products. The process integrates melting, alloying, continuous casting, hot and cold rolling and heat treating operations. Further processing, supplemented by nearby branch facilities in Leek and Oudenbosch (the latter under construction), includes continuous coating and roll-forming of aluminum strip, which is manufactured into components for venetian blinds and other window covering products and suspended metal ceilings and other building and architectural products.

The Utrecht manufacturing plant of N.V. Nederlandsche Aluminium Maatschappij (Nedal), a Dutch company which N.V. Inland acquired on February 25, 1971, produces proprietary and commercial aluminum extrusions in a wide range of sizes, as well as plain and decorated aluminum foil and aluminum paste and powder.

Rodiac, a 70% owned partnership in Leek, Netherlands, has, after only 5 years of operations, become a leading Dutch manufacturer of gas fired central heating systems. It distributes its products in the principal countries of the European Common Market. Weil McLain Corporation, a leading United States manufacturer of central heating equipment, is the other Rodiac partner and provides technical aid and know how on a royalty free and exclusive basis.

The Dutch products manufacturing facilities supply components for the Group's consumer and building products distributed in Europe, Africa and the Middle East. Hunter Douglas Holland also supplies semi-

finished aluminum materials to Group companies in other parts of the world for further processing, thus permitting overall cost reductions from centralized integrated production.

To cover a substantial part of the raw material requirements of the Group's consumer, building and architectural product plants in the Netherlands and elsewhere, the Group has a 15% interest in an 85,000 ton aluminum smelter in Vlissingen, Netherlands, which is operated by a subsidiary of Pechiney S.A., a major French aluminum producer, and became operational in the spring of 1971. The smelter is being expanded to 170,000 tons annual capacity. The additional capacity is scheduled to come on stream in 1972. The cost of expanding the smelter is largely financed by local borrowing in addition to Government subsidies. The Group's cash outlay for the balance of the costs to be incurred is not expected to exceed U.S. \$4,500,000, payable during the next two years.

The Group's principal Australian plant is located in Sydney and operated by a subsidiary, also called Hunter Douglas Limited ("HDA"), whose shares are listed on the Sydney and Melbourne Stock Exchanges. This plant is primarily engaged in cold rolling, continuous coating, roll-forming and other processing of aluminum strip, which is then manufactured into components for venetian blinds, awnings, insect screens and other window covering products and suspended metal ceilings, siding, cladding and roofing tiles. A full range of curtain fixtures, pull-shades, twines and cords is also produced.

Through a series of acquisitions and internal growth HDA's business has substantially expanded and diversified, so that it is now the largest Australian supplier for many of its principal products.

The Group's principal Canadian manufacturing facility is in Pointe Claire, Quebec. It is owned by HDCL, whose manufacturing facilities and business are described on pages 17 and following.

The Group's aluminum fabricating facilities in other countries are variously engaged in cold-rolling, continuous coating, roll-forming and further processing of aluminum and steel strip. While these operations have achieved strong penetration in their local markets, they are relatively small in comparison to the Group's Dutch, Australian and Canadian operations.

The Hunter Douglas Group uses virgin aluminum ingot and aluminum scrap for its continuous casting process. Ingot requirements are met by the Group's share of the production of the Vlissingen aluminum smelter and by spot purchases throughout the world. Scrap is obtained from various sources. The Vlissingen smelter's requirements of raw alumina are provided for by long term agreements with Pechiney S.A. The Group does not anticipate difficulties in satisfying its raw material requirements in the foreseeable future.

Precision Production Equipment

Manufacture and marketing of precision production equipment accounts for approximately 32% of consolidated sales. While production centers in West Germany, the United Kingdom and the Netherlands, distribution covers virtually every industrial country.

Wotan Werke G.m.b.H. ("Wotan"), a wholly owned subsidiary with plants in Duesseldorf, Langenberg and Markgroeningen, is a leading supplier in West Germany and foreign markets of horizontal boring, milling, internal grinding and die casting machines, equipment and tooling. Wotan's equipment is characterized by high precision and advanced technology, its market position having considerably expanded in the last ten years by complete redesign of previous lines and three major acquisitions. Wotan's production includes numerically controlled machines which can be automatically operated on preset programs controlled by punched tape, thereby reducing dependence on skilled, manual operation. Numerically controlled equipment provides operating efficiencies in volume production to an extent that is expected to render manually operated equipment obsolete for many applications and is therefore finding increasing acceptance in industry.

Westdeutsche Werkzeugmaschinen G.m.b.H. ("Wewag"), a wholly owned subsidiary with plants in Duesseldorf and Bremen, acts as exclusive distributor in Germany of machinery and equipment manufactured by others and is in the business of acquiring and disposing of entire plants and individual capital equipment

items. In the course of one such transaction, involving two automobile companies which had ceased manufacture, Wewag continued certain operations and, as a result, now produces and distributes automobile spare parts.

A diversified range of paper converting, packaging and diecasting systems and equipment is manufactured by a branch of HDL in London, England. The London unit is also the exclusive distributor in the British Isles for approximately sixty manufacturers of machine tools and packaging, graphic arts and paper converting equipment.

Hunter Douglas Holland's Laagland division designs and produces in Rotterdam a variety of equipment for manufacture and assembly of aluminum products primarily used by the Group's own plants and licensees. Laagland also acts as exclusive distributor in the Netherlands of machinery and equipment manufactured by others.

About 31% of the Hunter Douglas Group's 1970 machinery sales represented machines and equipment manufactured by others, although the products of no single unrelated manufacturer accounted for more than 6% of total machinery sales.

Properties

The Group's manufacturing, office and warehousing facilities, principally in the Netherlands, Germany, Australia and Canada, occupy a total floor space of over 3,400,000 square feet on approximately 9,400,000 square feet of land. Approximately 74% of the floor space is in owned premises. The balance is occupied under lease.

During the five years ended June 30, 1971, the Group's additions to property, plant and equipment (including acquisitions net of accumulated depreciation prior to the acquisition date) amounted to U.S.\$33,200,000 or approximately 50% of the total cost of such fixed assets at that date. Of this sum, approximately U.S.\$9,800,000 represents expenditures for new buildings and additions, mostly modern single story structures built to the Group's specifications to permit efficient manufacture of its products. Total additions to property, plant and equipment in the twelve months ended June 30, 1971, were U.S.\$11,200,000.

Management believes that the Group's facilities are adequate for its present needs. Sufficient property is owned at most locations to allow for expansion.

Research and Development

The Group has consistently maintained a policy of intensive research, product and process development. The major manufacturing companies have research and development facilities staffed with more than 300 employees who are engaged in improving and expanding the existing range of products and processes, as well as development of new product lines and manufacturing techniques.

The Group maintains approximately 850 patent registrations, 350 patent applications, 2,250 trade mark registrations and 250 trade mark applications in over 100 countries. Many of these industrial properties represent multiple country registrations of the same patent or multiple country or class registrations of the same trade mark. Patents mainly protect improved methods and equipment for continuous casting and roll-forming of metal strip, production of plastic venetian blind ladder tape and other components of the Group's building, consumer and architectural products and features, methods and equipment for their assembly or installation, as well as features of industrial machine tools and packaging and paper processing equipment.

Expansion and Diversification

A program of planned acquisitions has produced significant growth and diversification in related fields and industries. The following recent acquisitions reflect this policy:

- N.V. Nederlandsche Aluminium Maatschappij (Netherlands) which provided heavy aluminum extrusion and foil facilities and entry into the growing market for highway illumination poles

- Koellmann Maschinenbau G.m.b.H. (Germany) whose line of heavy milling machinery complements the range produced by the Group's Wotan subsidiary
- Walker Industrie- en Handelsmaatschappij N.V. (Netherlands), a major Dutch manufacturer of camping equipment, which added momentum to the Group's expansion in the rapidly growing leisure products field
- Consolidated Plywood Corporation (Canada), a wholesale distributor of building products with five distribution centers in Ontario and Quebec, which strengthen distribution of the Group's products in the Eastern part of Canada.

As another approach to achieve growth and diversification, the Group has exploited its world-wide capabilities by introducing to additional countries served by the Group, product programs and techniques which had achieved success elsewhere. The introduction of aluminum residential siding in Australia and New Zealand, where the product was previously unknown, and the Group's entry into manufacture of decorative plywood wall panels in Canada illustrate this approach.

The Group also has a program of seeking out and developing new profit opportunities in which its marketing and manufacturing skills can be utilized. For example, on the strength of its trademarks and distribution network in the window covering field the Group has entered the United Kingdom curtain rail and drapery hardware market with a newly designed system. This product line will also be sold in other European countries.

Management's objective is to continue and broaden these expansion programs in order to derive full benefit from the Group's position, facilities and experience in its various lines of endeavour.

Outlook

The increasing acceptance and use of aluminum products in residential, commercial and industrial construction and in the home improvement field is of particular significance to the Group. In addition to design and erection benefits, aluminum offers certain advantages, such as resistance to weather and warping, lightness, durability and a broad range of surface finishes.

With skilled labor becoming increasingly scarce and costly, new building techniques are replacing many conventional methods. Aluminum and prefabricated components are playing an important role in meeting this demand. The Hunter Douglas Group participates and benefits from these trends on an international basis by supply of existing products and its product development expertise, as well as manufacturing versatility through the Group's machinery division.

Performance of the machinery, machine tools and equipment division, while subject to general levels of new capital investment, benefitted from the general trend to greater rationalization and precision in industrial production. This division continues to experience strong demand and maintains a substantial order backlog.

The Can.\$7,114,698 proceeds of the public offering in 1969 of HDL common shares have aided the Group's capacity to develop new opportunities by expanding its capital base and providing a public market for its shares.

Directors and Officers of HDNV

The names, home addresses, positions held with HDNV, and principal occupations during the five preceding years of the directors and officers of HDNV are shown below:

Name and Home Address	Position and Office with HDL and HDNV	Principal Occupations
DR. JOHANNES HENDRIK OTTO GRAAF VAN DEN BOSCH Koningin Wilhelmina Laan 4 Amersfoort, Netherlands	Director	Investor
JOHN HEWSON COLEMAN 561 Avenue Road Toronto, Ontario	Director	Director, Deputy Chairman and Executive Vice President A Canadian Chartered Bank
FRANK BALDWIN CRAIG Konijnenlaan 27A Wassenaar, Netherlands	Director and Executive Vice President	Executive Vice President HDL and HDNV
PROF. DR. HERMAN JAN HELLEMA Werkdroger 8 Laren, Netherlands	Director	Lawyer
WALTER LEO HEYMAN 3 Roedean Crescent London S.W. 15, England	Director and Vice President	Vice President, Corporate Development, HDL and HDNV
ELMER LESLIE JOUBERT Panoramaweg 9 Willemstad, Curaçao	Director	Notary Willemstad, Curaçao
DR. CHRISTIAN FRIEDRICH KARSTEN Rijksweg Oost 15 Laren, Netherlands	Director	Managing Director Amsterdam-Rotterdam Bank N.V.
ALAN CLARENCE POND 92 William Edward Street Longueville, N.S.W., Australia	Director	Managing Director Hunter Douglas Limited of Australia
HENRY SONNENBERG 72 Winnington Road London N. 2, England	Director and Chairman of the Board	Chairman of the Board HDL and HDNV
RALPH SONNENBERG Konijnenlaan 10 Wassenaar, Netherlands	Director and President	President HDL and HDNV
JAN VAN DER VELDEN Jagerslaan 1 Wassenaar, Netherlands	Director	President De Nationale Nederlanden N.V. Insurance Group
DR. GERHARD WILHELM BAUM Jean Francois van Royenweg 11 The Hague, Netherlands	Vice President and Comptroller	Vice President and Comptroller HDL and HDNV

JOHN LOTHAR BRUHL	Vice President	Vice President, Secretary and Treasurer
Burgemeester Lefevre de	Secretary and Treasurer	HDL and HDNV
Montigny Laan 48		
Rotterdam, Netherlands		

HERINUS OOSTERHUIS	Vice President	Vice President
St. Hubertusweg 9		HDL and HDNV
The Hague, Netherlands		

GABRIEL ORECHKOFF	Vice President	Vice President and
Lupineweg 45	and General Counsel	General Counsel
The Hague, Netherlands		HDL and HDNV

The persons listed above have held their present business affiliations for the last five years, except Dr. graaf van den Bosch who was Managing Director of De Nederlandsche Bank N.V. prior to May 1, 1971.

Principal Shareholders

The following table sets forth the beneficial ownership, direct and indirect, of each person or company owning of record, or to the knowledge of the Hunter Douglas Group, beneficially, directly or indirectly, more than 10 per cent of the equity shares of HDNV as at November 3, 1971.

Name and Address	Designation of Shares	Type of Ownership	Shares Owned	Class %
Henry Sonnenberg	Common	Record (1) and	84,300	7.52
72 Winnington Road,	Shares	Beneficial		
London N.2., England	Deferred	Record (2) and	2,428,895	50.14
	Shares	Beneficial		
Ralph Sonnenberg (3)	Deferred	Record and	1,170,406	24.16
Konijnenlaan 10,	Shares	Beneficial		
Wassenaar, Netherlands				
Marion Sonnenberg Lynton (3)	Deferred	Record and	1,245,330	25.70
Hazelaan 8	Shares	Beneficial		
Wassenaar, Netherlands				

Notes:

- (1) Except 45,600 shares owned of record by Caribbean Depository Company N.V.
- (2) Except 4 shares standing in nominees' names.
- (3) Children of Henry Sonnenberg.

The following table sets forth the percentage of each class of equity shares of the Hunter Douglas Group beneficially owned, directly or indirectly, by all directors and senior officers of HDNV, as a group.

Designation of Class	Percentage of Class
HDNV Deferred Shares	74.30
HDNV Common Shares	10.00
Common Shares of Hunter Douglas Limited of Australia	0.25*

*Excludes indirect holdings through HDNV.

Capitalization of HDL and HDNV

The following table represents the consolidated share and loan capital of HDL and HDNV:

	Authorized	(000's omitted, except in numbers of shares)			
		Outstanding 1971		HDL Pro forma Sept. 30	
		HDL June 30	HDL Sept. 30	(note 1)	(note 2)
Debt (U.S. \$)					
4¾ % - 8¾ % mortgage loans maturing through 1995	—	3,304	3,493	3,493	3,493
Sundry indebtedness (note 3)	—	7,973	8,131	8,131	8,131
Minority Interest (U.S. \$)					
Preferred stock (note 4) ..	—	—	—	1,386	8,316
Common stock and surplus (note 7)	—	5,731	5,731	5,731	5,731
Capital Stock HDL (Can. \$)					
5% \$500 par value					
cumulative First Preferred Shares	2,000 shs (\$1,000)	—	—	—	—
5¾ % cumulative					
\$20 par value Second Preferred Shares	500,000 shs (\$10,000)	—	—	—	—
\$.35 par value	10,000,000 shs	919,514 shs	933,818 shs		
common shares	(\$3,500)	(\$322)	(\$327)	—	—
\$.35 par value	6,000,000 shs	4,858,935 shs	4,844,631 shs		
deferred shares (note 5)	(\$1,950)	(\$1,701)	(\$1,696)	—	—
Capital Stock HDNV (hfl)					
hfl. 1.00 par value	10,000,000 shs			1,020,581 shs	520,581 shs
common shares	(hfl 10,000)	—	—	(hfl 1,021)	(hfl 521)
hfl. 1.00 par value	6,000,000 shs			4,844,631 shs	4,844,631 shs
deferred shares (note 6)	(hfl 6,000)	—	—	(hfl 4,845)	(hfl 4,845)

Notes:

1. Reflects issue of HDNV Common and Deferred Shares for HDL's net assets as described on page 7, distribution of 20% HDNV Common Share stock dividend on HDNV Common Shares as described on page 8, purchase by HDI of 100,000 HDNV Common Shares for Can.\$14 each under the agreement described on page 16 and issue and sale of 100,000 HDCL Preferred Shares for Can.\$14 each pursuant to HDCL's agreement described on page 5 (minimum amounts to be purchased and issued under above agreement).

2. Reflects issue of HDNV Common and Deferred Shares for HDL's net assets as described on page 7, distribution of 20% HDNV Common Share stock dividend on HDNV Common Shares as described on page 8, purchase by HDI of 600,000 HDNV Common Shares for Can.\$14 each under the agreement described on page 16 and issue and sale of 600,000 HDCL Preferred Shares for Can.\$14 each pursuant to HDCL's agreement described on page 5 (maximum amounts to be purchased and issued under above agreement).

3. Reference is made to note 9(c) on page 30 with respect to long term lease commitments.

4. The last two columns reflect pro forma HDCL Preferred Shares (minimum and maximum respectively) which may be required to be issued under HDCL's agreement described on page 5.

5. Convertible into 1 HDL common share each.

6. Convertible into 1 HDNV common share each.

7. No adjustment made for minority interest in common stock and surplus as of September 30, 1971.

Dividend Record

HDL has not during the past five years paid any dividends on its capital stock other than the following payments on its First Preferred shares (redeemed January, 1970, at par).

	<u>1970</u>	<u>1969</u>	<u>1968</u>	<u>1967</u>	<u>1966</u>
Total (Can.\$):	17,400	75,000	25,000	75,000	100,000
Per share (Can.\$):	8.70	37.50	12.50	37.50	50.00

Remuneration

The aggregate direct remuneration paid or payable by the Hunter Douglas Group to HDL's directors and senior officers for the year ended December 31, 1970, was U.S.\$363,200 and for the nine months ended September 30, 1971, was U.S.\$250,327. The estimated cost to the Hunter Douglas Group for the year ended December 31, 1970, of all pension benefits to be paid in the aggregate to such directors and senior officers, directly or indirectly, under their existing pension plans in the event of retirement at normal retirement age was U.S.\$34,768. No remuneration has been paid to directors or senior officers of HDNV.

Management Interest

Mr. Coleman, a director of HDL and HDNV, is director, vice chairman and executive vice president of a Canadian Chartered Bank which maintains banking relations with certain companies of the Group.

Mr. Joubert, a director of HDNV, acted as notary at HDNV's incorporation and received notarial fees for his services.

Dr. Karsten, a director of HDL and HDNV, is a managing director of the Amsterdam-Rotterdam Bank N.V., which maintains banking relations with certain companies of the Group, had a preferred stock interest in a subsidiary, Hunter Douglas Industries Ltd. (liquidated in part through scheduled redemption and in part through purchase at par by HDL) and had an interest in the public offering of HDL Common Shares referred to on page 12.

During the three year period preceding filing of the preliminary prospectus certain of the directors and officers of HDL were indebted to certain Group subsidiaries in the maximum amount of U.S.\$309,400.

Agreements with Offeror

On October 15, 1971, Hunter Douglas International N.V. ("HDI"), a subsidiary of HDL, entered into an Agreement with Greenshields Incorporated ("Offeror"), whereby HDI agreed to purchase from the Offeror at \$14 per share such number of HDNV Common Shares as the Offeror may, prior to January 3, 1972. (or such extended date prior to January 31, 1972, as the Offeror may require) become obligated to take up in exchange for HDCL Preferred Shares pursuant to this Offer. HDI agreed to pay the Offeror a fee of Can.\$30,000. By agreement of the same date, HDL agreed to pay the Offeror a consulting fee of Can.\$40,000.

Material Contracts

Within the last two years preceding the date of this prospectus the Group has not entered into any material contracts outside its ordinary course of business, other than the agreements with Greenshields Incorporated referred to on page 5 and above on this page.

Stock Options

102,788 authorized and unissued HDNV Common and Deferred Shares are reserved for purchase by directors, officers and employees under stock option plans. Options to purchase 125,418 HDNV Common Shares and 4,811 HDNV Deferred Shares are outstanding as follows:

Optionees	HDNV Shares Common	Deferred	Date of Grant	Option Price per Share	Expiration Date
Directors and	13,575	4,811	February, 1968	U.S. \$5.23	February, 1973
Senior Officers			February, 1968	U.S. \$4.36	February, 1973
		5,880	April, 1970	Can. \$9.58	April, 1975
All other employees . .	7,802		February, 1968	U.S. \$4.36	February, 1973
	98,160		April, 1970, to October, 1971	Can. \$9.58	April, 1975, to October, 1976

Options granted prior to June 21, 1969, when there was no established trading market for HDL Common Shares, were determined by the Board of Directors, pursuant to the provisions of the stock option plan, on the basis of their best estimate of fair value relying on the opinion of independent experts. Prices of subsequent options were based on the market price for HDL Common Shares prevailing at the time of grant of option.

On January 17, 1967, HDL's Australian subsidiary HDA, granted options to certain of its officers and employees to purchase 100,000 of its A \$1 ordinary shares for A \$1.50 per share. The following options remain outstanding:

Optionees	Expiration Date	Number of Shares
Directors and Senior Officers	January, 1972	12,000
All other employees	January, 1972	34,000

The quoted market value of A \$1 ordinary shares of HDA on November 2, 1971, was A \$1.95 and on January 17, 1967, was A \$1.65.

Transfer Agent and Registrar

Transfer agent and registrar for HDNV Common Shares issued in registered form is Montreal Trust Company at Montreal, Toronto, Calgary, Regina, Saint John, Vancouver and Winnipeg.

Auditors

The auditors of HDL and HDNV are Coopers & Lybrand, Chartered Accountants, Coolsingel 6, Rotterdam 1, Netherlands.

HUNTER DOUGLAS CANADA LIMITED AND SUBSIDIARY

HDCL was incorporated in Manitoba by letters patent dated October 4, 1944, under the name Burnaby Venetian Blinds Limited. By supplementary letters patent dated September 23, 1970, HDCL changed its name to Hunter Douglas Canada Limited — Hunter Douglas Canada Limitée. Further supplementary letters patent, changing HDCL's issued and authorized capital, are dated September 24, 1971 and October 22, 1971. All of HDCL's issued and outstanding shares, except for 500 common shares, are owned by HDL. HDCL's statutory head office is at 333 Broadway Avenue, Winnipeg, Manitoba, and its principal office is at 2501 Trans-Canada Highway, Pointe Claire, Quebec.

Business

HDCL's principal business is production and sale of architectural, building and home improvement products throughout Canada and in a large number of foreign markets. HDCL's principal products are aluminum siding, printed decorative plywood panels, suspended linear ceiling systems, venetian blinds and awnings. These products are marketed to building supply distributors, home improvement and building contractors, mobile home manufacturers, owners and operators of commercial and residential buildings and retail building supply centers.

They are used in new construction, for the home and building renovation and improvement industry, and in the manufacture of mobile homes. HDCL is a leading or major factor in the Canadian market for most of its principal products and supplies a sizeable export market. A small percentage of exports is sold to other companies of the Hunter Douglas Group.

HDCL's products are primarily manufactured from aluminum strip by means of various continuous coating, roll forming and other processes, and from unfinished plywood blanks through a series of finishing, decorating, graining and coating operations. Part of the manufacturing equipment is custom designed by the Hunter Douglas Group. Such equipment, as well as certain confidential know-how used in manufacturing, is proprietary.

Aluminum ingot and strip and unfinished plywood panels are the principal raw materials for HDCL's production. The aluminum requirements are obtained under term supply agreements with Canadian manufacturers of primary aluminum and from companies of the Hunter Douglas Group. Unfinished plywood panels are supplied by an overseas manufacturer under a long term agreement. HDCL does not anticipate difficulties in satisfying its raw material requirements in the foreseeable future.

HDCL's original business was limited to assembly and installation of venetian blinds under contracts with commercial building owners and distribution of assembled venetian blinds to retail outlets. HDCL is the largest factor in this business in Canada. As of March 1, 1970, 1,999 of its then outstanding 2,000 Can.\$10 par value common shares were acquired for cash by HDL. HDCL's business was expanded to its present scope on October 2, 1970, when HDCL purchased HDL's Canadian operating assets and business from HDL for approximately Can.\$7 million in cash and notes. The purchase price is subject to adjustment by not more than Can.\$750,000 depending on 1971 profits of the acquired business.

On July 21, 1971, Hunlas N.V. and N.V. Inland, two Dutch subsidiaries of HDL, acquired a 70% interest in Consolidated Plywood Corporation, a Quebec corporation, which, together with its wholly owned Ontario subsidiary, Duffus Banfield Limited, is a distributor for certain HDCL home improvement and building products in Quebec and Ontario. Consolidated Plywood Corporation and Duffus Banfield Limited continue to purchase and distribute HDCL home improvement and building products in their normal course of business and subject to HDCL's usual prices and conditions for such business.

Home Development Corporation ("Home") was incorporated in Quebec on September 17, 1962, as a subsidiary of HDL under the name Home Development Acceptance Corporation. Its original business was financing of consumer home improvement purchases involving HDL products. By supplementary letters patent dated July 12, 1965, Home's name was changed to Home Development Corporation. Thereafter Home's business expanded to include exports of the Hunter Douglas line of decorative plywood panels and linear ceiling systems and installation of residential and commercial siding for building contractors in several Canadian markets. On September 30, 1971, HDCL acquired from HDL all issued and outstanding shares of Home at their net book value (estimated Can.\$80,000). HDL applied the purchase price to subscribe to additional Can.\$10 par value common shares of HDCL at Can.\$100 per share.

HDCL owns all trade marks and Hunter Douglas patent rights required for the conduct of its business in Canada and has a ten year fully paid up licence for continued use of the Group's foreign patents and trade marks in its present export business.

The plant employees at Pointe Claire, Quebec, except sales, office and supervisory personnel, are represented by the International Union, United Automobile, Aerospace & Agricultural Implement Workers of America. A collective agreement, dated September 21, 1971, and expiring on March 31, 1974, contains provisions normally found in collective labour agreements regarding wages, hours of work and other conditions of employment.

Properties

HDCL's principal property on Trans Canada Highway in Pointe Claire, Quebec, comprises over 535,000 square feet of land, together with a modern factory and office building having a total floor space of more than 140,000 square feet. The single story factory building contains modern manufacturing equipment primarily consisting of paint lines, roll forming equipment and a plywood prefinishing and printing plant.

Eight other properties, comprising 34,000 square feet in total, are occupied in various Canadian locations for use as assembly and sales centers for venetian blinds or as building materials distribution centers. Seven of these properties are leased, while the eighth is occupied under a purchase agreement which is registered against the property and provides that HDCL will become the owner upon payment of the Can.\$30,000 purchase price in instalments over a ten year period. HDCL has options to purchase four of the other properties prior to expiration of present leases.

Capitalization of HDCL

The following table represents the particulars of HDCL's share and loan capital (consolidated with Home in columns C, D and E) in Canadian dollars:

	A Authorized	B C D E			
		Outstanding			
		Aug. 31, 1971	Sept. 30, 1971	Sept. 30, 1971 (adjusted—note 1)	Sept. 30, 1971 (adjusted—note 2)
Share Capital					
Can.\$14 par value cumulative, voting, preferred shares	600,000 shs. (\$8,400,000)	—	—	100,000 shs. (\$1,400,000)	600,000 shs. (\$8,400,000)
Can.\$10 par value common shares	100,000 shs. (\$1,000,000)	2,000 shs. (\$20,000)	2,000 shs. (\$20,000)	— —	— —
No par value common shares	10,000,000 shs. (note 5)	—	—	2,000,000 shs. (\$40,000)	2,000,000 shs. (\$40,000)
Loan Capital					
Long term notes HDI . . (note 6)	—	6,558,000	6,753,000	5,393,000	—
Long term loan HDL . . (note 7)	—	180,000	180,000	60,000	60,000
Bank loans (note 8)	—	1,915,000	1,960,000	1,960,000	353,000
Miscellaneous	—	30,000	30,000	30,000	30,000

Notes:

1. Reflects minimum amount (100,000 shares — \$1,400,000) issuable under present commitment and the issue of additional shares as described in note 4.

2. Reflects maximum amount (600,000 shares — \$8,400,000) issuable under present commitment and the issue of additional shares as described in note 4.

3. Created by supplementary letters patent dated October 22, 1971.

4. Increased from 2,000 to 100,000 \$10 par value common shares by supplementary letters patent dated September 24, 1971. 2,000 additional \$10 par value common shares were issued between October 1 and 7, 1971, for a consideration of \$100 per share represented by transfer of all issued and outstanding shares of Home to HDCL at their September 30, 1971, book value (estimated \$80,000) and reduction of long term loans from HDL for the balance.

5. By supplementary letters patent, dated October 22, 1971, 4,000 issued \$10 par value common shares were subdivided and reclassified as 2,000,000 no par value common shares, and 96,000 unissued \$10 par value common shares were subdivided and reclassified as 8,000,000 no par value common shares.

6. The long term notes payable to HDI bear interest equal to HDCL's quarterly average bank borrowing rate and are repayable in escalating amounts quarterly to 1990, but may be prepaid in whole or in part without penalty. The amount payable may be subject to adjustment as provided in the agreement for the purchase by HDCL of HDL's Canadian business and operating assets (see page 18). Column D reflects application of the minimum net proceeds (after \$40,000 fees and expenses) and Column E reflects application of \$6,558,000 of the maximum net proceeds of the preferred share issue to reduction of this loan.

7. The loan payable to HDL is callable after one year's prior notice and bears interest equal to HDCL's quarterly average bank borrowing rate. Columns D and E reflect the reduction of this loan by applying \$120,000 thereof as part consideration for issue of 2,000 additional HDCL \$10 par value common shares as described in note 4.

8. The increase in bank loans in Column C reflects bank loans of Home which, in view of its acquisition by HDCL on September 30, 1971, is consolidated with HDCL in Columns C, D and E. Column E reflects application of the \$1,802,000 balance of the maximum net proceeds of the preferred share issue (after \$40,000 fees and expenses) to reduction of this loan.

DIRECTORS AND OFFICERS

The following are the directors and officers of HDCL:

Name and Home Address	Position and Office with HDCL	Principal Occupations within 5 preceding years
JOHN HEWSON COLEMAN 561 Avenue Road, Toronto, Ontario	Director	Director, Deputy Chairman and Executive Vice President, A Canadian Chartered Bank.
JOHN ADAM KAY 383 Lakeshore Road, Beaconsfield, Pointe Claire, P.Q.	Director and President	President, HDCL.
RALPH SONNENBERG Konijnenlaan 10, Wassenaar, Netherlands	Director	President, HDL and HDNV.
RALPH ALEXANDER BREHN 45 Harold Crescent, Kirkland, P.Q.	Vice President	Vice President, HDCL.
JOHN ALEXANDER MACE 2 Elmwood Avenue, Senneville, P.Q.	Vice President and Secretary-Treasurer	Vice President and Secretary-Treasurer, HDCL.
BARRY HOWARD SHAPIRO 777 Lansdowne Avenue, Westmount, P.Q.	Assistant Secretary ...	Lawyer.
CHARLES FORSYTH SHALLHORN 88 Burns Street, Beaconsfield, P.Q.	Vice President	Vice President, HDCL.

All of the above have held their present business affiliations for the last 5 years, except Mr. Brehn who was Vice President and Director of Manufacturing of Tappan-Gurney Ltd. prior to March 1969.

Remuneration

The aggregate direct remuneration paid or payable by HDCL and Home, its subsidiary, to HDCL's directors and senior officers for the year ended December 31, 1970, was Can.\$179,538 and for the nine months ended September 30, 1971, was Can.\$115,708.

Management Interest

Mr. Ralph Sonnenberg, a director of HDCL, is president, director and a principal shareholder of HDL and its successor HDNV. HDL sold its Canadian business to HDCL on October 2, 1970, in the transaction described on page 18. Certain obligations survive the closing of this transaction. Certain companies of the Hunter Douglas Group also have business relations with HDCL and Home. HDI, whose notes receivable from HDCL will be repaid in whole or in part from the proceeds of this issue, is a wholly owned subsidiary of HDNV.

Mr. Coleman, a director of HDCL, is director, vice chairman and executive vice president of a Canadian Chartered Bank which maintains banking relations with HDCL and Home. Mr. Coleman also is a director of HDL and HDNV.

Mr. Shapiro, assistant secretary of HDCL, is partner in the law firm of Robinson, Sheppard & Shapiro, which receives fees for legal services rendered to HDCL and certain affiliated companies.

Principal Shareholders

The following table sets forth the beneficial ownership, direct and indirect, of each person or company owning of record, or to the knowledge of HDCL, beneficially, directly or indirectly, more than 10 per cent of the equity shares of HDCL.

<u>Name and Address</u>	<u>Designation of Class</u>	<u>Type of Ownership</u>	<u>Shares Owned</u>	<u>Class %</u>
Hunter Douglas N.V. Handelskade 8, Willemstad, Curaçao	No par value common shares	Direct and(1) Beneficial	1,999,500	99.975

(1) Except for 4 shares standing in nominees' names.

No shares of HDCL are owned beneficially, directly or indirectly, by directors or senior officers of HDCL, except as indicated under "Principal Shareholders" on page 14.

Use of Proceeds

HDCL will apply the net proceeds of the issue of the HDCL Preferred Shares, after estimated fees and expenses of Can.\$40,000, to reduce indebtedness to affiliated companies and, if sufficient, to reduce bank loans. The amount of such net proceeds cannot presently be determined (see notes 1 and 2 on page 19). In the opinion of HDCL's directors, no minimum amount is required to be raised.

Dividend Record

During the past five years, HDCL has not paid dividends on its capital stock other than one dividend amounting to Can.\$21,000 (\$10.50 per Can.\$10 par value Common Share) during the ten months fiscal period which ended December 31, 1970.

Material Contracts

Within the last three years preceding the date of this prospectus, HDCL has entered into the following material contracts outside its ordinary course of business:

1. The agreement with Greenshields Incorporated referred to on page 5.
2. The agreements with HDL described on page 18.

Copies of these agreements may be inspected during ordinary business hours at 2501 Trans-Canada Highway, Pointe Claire, Quebec, during the period of primary distribution of the shares hereby offered and for 30 days thereafter.

Transfer Agent and Registrar

Transfer agent and registrar for HDCL Preferred Shares is Montreal Trust Company at Montreal, Toronto, Calgary, Regina, Saint John, Vancouver and Winnipeg.

Auditors

The auditors of HDCL are Coopers & Lybrand, Chartered Accountants, 630 Dorchester Boulevard West, Montreal, Canada.

LEGAL MATTERS

Legal matters in connection with the present offer will be passed upon on behalf of the Offeror by Messrs. Doheny, Day, Mackenzie, Grivakes, Gervais & LeMoine, Montreal, and on behalf of HDCL, HDL and HDNV by Messrs. Stikeman, Elliott, Tamaki, Mercier & Robb, Montreal, who may rely on the opinions of local counsel in respect of matters of the laws of jurisdictions other than Canada and Quebec, and on whose opinions as to certain matters counsel for the Offeror will rely.

HUNTER DOUGLAS CANADA LIMITED

BALANCE SHEET

(in thousands of Canadian dollars)

	Dec. 31, 1970	Aug. 31, 1971 (Unaudited)		
	Unconsolidated	Unconsolidated	Pro forma consolidated (note 1) "A"	"B"
ASSETS				
CURRENT ASSETS	\$	\$	\$	\$
Cash	49	33	64	64
Notes and accounts receivable	2,631	3,404	4,002	4,002
Accounts receivable from affiliates	743	461	426	426
Income taxes recoverable	31	15	15	15
Inventories (note 4)	2,312	3,011	3,064	3,064
Prepaid expenses	69	50	50	50
	<u>5,835</u>	<u>6,974</u>	<u>7,621</u>	<u>7,621</u>
ADVANCE TO AFFILIATE	320	—	—	—
PROPERTY, PLANT AND EQUIPMENT (note 5)	<u>3,219</u>	<u>3,076</u>	<u>3,077</u>	<u>3,077</u>
GOODWILL — at cost (note 6)	<u>750</u>	<u>750</u>	<u>750</u>	<u>750</u>
	<u>10,124</u>	<u>10,800</u>	<u>11,448</u>	<u>11,448</u>
LIABILITIES	\$	\$	\$	\$
CURRENT LIABILITIES				
Bank loan (note 1)	1,150	1,915	2,165	617
Accounts payable and accrued liabilities	904	1,242	1,364	1,364
Accounts payable to affiliates	527	167	169	169
Current portion of long-term debt	176	2	2	2
	<u>2,757</u>	<u>3,326</u>	<u>3,700</u>	<u>2,152</u>
LONG-TERM DEBT				
7½ % loan payable \$350 monthly including principal and interest	32	30	30	30
Loans and advances from parent and affiliates (notes 1 and 6)	6,958	6,738	5,452	—
	<u>6,990</u>	<u>6,768</u>	<u>5,482</u>	<u>30</u>
Less: Current portion	176	2	2	2
	<u>6,814</u>	<u>6,766</u>	<u>5,480</u>	<u>28</u>
PROVISION FOR PENSIONS	—	28	28	28
DEFERRED INCOME TAXES	<u>16</u>	<u>—</u>	<u>—</u>	<u>—</u>
	<u>9,587</u>	<u>10,120</u>	<u>9,208</u>	<u>2,208</u>
SHAREHOLDERS' EQUITY				
CAPITAL STOCK (note 7)	20	20	1,620	8,620
RETAINED EARNINGS (note 1)	517	660	620	620
	<u>537</u>	<u>680</u>	<u>2,240</u>	<u>9,240</u>
	<u>10,124</u>	<u>10,800</u>	<u>11,448</u>	<u>11,448</u>

The accompanying notes are an integral part of these financial statements.

APPROVED ON BEHALF OF THE BOARD

JOHN A. KAY, Director

J. COLEMAN, Director

HUNTER DOUGLAS CANADA LIMITED

STATEMENT OF EARNINGS

(in thousands of Canadian dollars)

	8 months ended Aug. 31		10 months ended Dec. 31	6 months ended Feb. 28	12 months ended Aug. 31			
	1971 (unaudited)	1970 (unaudited)	1970	1970	1969	1968	1967	1966
	\$	\$	\$	\$	\$	\$	\$	\$
NET SALES	8,456	694	3,620	525	1,139	1,013	1,260	868
COST OF SALES	5,787	421	2,516	300	688	569	809	596
GROSS PROFIT	2,669	273	1,104	225	451	444	451	272
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES	2,163	221	930	176	342	356	314	266
EARNINGS FROM OPERATIONS	506	52	174	49	109	88	137	6
INTEREST EXPENSE								
Interest on loan from affiliated company	292	—	128	—	—	—	—	—
Other	71	2	18	1	4	5	8	2
	363	2	146	1	4	5	8	2
EARNINGS BEFORE INCOME TAXES	143	50	28	48	105	83	129	4
PROVISION FOR INCOME TAXES (note 8) .	—	4	11	21	44	33	55	1
NET EARNINGS FOR THE PERIOD	143	46	17	27	61	50	74	3
NET EARNINGS PER COMMON SHARE ...	\$71.59	\$22.90	\$8.02	\$13.50	\$30.67	\$24.88	\$37.13	\$1.23

STATEMENT OF RETAINED EARNINGS

(in thousands of Canadian dollars)

	8 months ended Aug. 31		10 months ended Dec. 31	6 months ended Feb. 28	12 months ended Aug. 31			
	1971 (unaudited)	1970 (unaudited)	1970	1970	1969	1968	1967	1966
	\$	\$	\$	\$	\$	\$	\$	\$
RETAINED EARNINGS — BEGINNING OF PERIOD ..	517	512	521	494	433	385	311	308
Net earnings for period	143	46	17	27	61	50	74	3
	660	558	538	521	494	435	385	311
Dividends	—	—	21	—	—	—	—	—
Adjustment of prior year's income taxes ...	—	—	—	—	—	2	—	—
RETAINED EARNINGS — END OF PERIOD	660	558	517	521	494	433	385	311

The accompanying notes are an integral part of these financial statements.

HUNTER DOUGLAS CANADA LIMITED
NOTES TO FINANCIAL STATEMENTS
FOR THE PERIODS FROM SEPTEMBER 1, 1965 TO AUGUST 31, 1971
AND PRO FORMA CONSOLIDATED BALANCE SHEETS AS AT AUGUST 31, 1971
(in Canadian dollars)

(Information with respect to August 31, 1971, and the period then ended is unaudited)

1. PRO FORMA CONSOLIDATED BALANCE SHEETS

The pro forma consolidated balance sheets give effect to the following:

- (a) The issue of supplementary letters patent dated September 24, 1971, increasing the authorized capital from 2,000 \$10 par value common shares to 100,000 \$10 par value common shares.
- (b) The issue of 2,000 additional \$10 par value common shares for a consideration of \$100 per share, (\$200,000 total) of which \$80,000 was furnished by proceeds of transfer of all issued and outstanding capital stock of Home Development Corp. at its estimated book value at September 30, 1971, and the balance by reducing the \$180,000 loan from Hunter Douglas Limited.
- (c) The issue of supplementary letters patent dated October 22, 1971.
 - (i) subdividing and reclassifying the 4,000 issued and outstanding \$10 par value common shares into 2,000,000 no par value common shares,
 - (ii) subdividing and reclassifying the 96,000 unissued but authorized \$10 par value common shares into 8,000,000 no par value common shares,
 - (iii) creating 600,000 \$14 par value cumulative, voting, preferred shares redeemable after December 31, 1990, at par.
- (d) The issue of \$14 par value cumulative voting preferred shares for a consideration of \$14 per share and application of the net proceeds (after \$40,000 fees and expenses) as follows:
 - (i) Pro forma consolidated column "A" gives effect to the issue of 100,000 preferred shares (minimum amount required to be issued), the net proceeds of which reduce indebtedness to affiliates,
 - (ii) Pro forma consolidated column "B" gives effect to the issue of 600,000 preferred shares (maximum amount required to be issued), the net proceeds of which reduce indebtedness to affiliates and banks.

2. CHANGE OF FISCAL YEAR AND NAME

Effective February 28, 1970, the end of the fiscal year was changed from August 31 to February 28 and effective December 31, 1970, the end of the fiscal year was changed from February 28 to December 31. By supplementary letters patent dated September 23, 1970, the Company's name was changed from Burnaby Venetian Blinds Limited to Hunter Douglas Canada Limited.

3. OPERATIONS

On October 2, 1970, Hunter Douglas Canada Limited purchased the Canadian operations of Hunter Douglas Limited. The accounts of these operations have been included since the date of acquisition.

4. INVENTORIES

Inventories are valued at lower of cost or replacement cost and are classified as follows (in thousands of dollars):

	Dec. 31, 1970		August 31, 1971	
	Unconsolidated	Unconsolidated	Pro forma consolidated	
			"A"	"B"
Finished goods	1,008	1,244	1,297	1,297
Work-in-process	141	58	58	58
Raw materials	<u>1,163</u>	<u>1,709</u>	<u>1,709</u>	<u>1,709</u>
	<u>2,312</u>	<u>3,011</u>	<u>3,064</u>	<u>3,064</u>

5. PROPERTY PLANT AND EQUIPMENT

Property, plant and equipment is classified as follows (in thousands of dollars):

	Dec. 31, 1970		August 31, 1971	
	Unconsolidated	Unconsolidated	Pro forma consolidated	
			"A"	"B"
Land	439	439	439	439
Buildings	1,845	1,853	1,853	1,853
Machinery and equipment	<u>2,883</u>	<u>2,984</u>	<u>2,986</u>	<u>2,986</u>
Cost	<u>5,167</u>	<u>5,276</u>	<u>5,278</u>	<u>5,278</u>
Less accumulated depreciation	<u>1,953</u>	<u>2,203</u>	<u>2,204</u>	<u>2,204</u>
	<u>3,214</u>	<u>3,073</u>	<u>3,074</u>	<u>3,074</u>
Leasehold improvements less amortization	<u>5</u>	<u>3</u>	<u>3</u>	<u>3</u>
	<u>3,219</u>	<u>3,076</u>	<u>3,077</u>	<u>3,077</u>

6. **LOANS AND ADVANCES FROM PARENT AND AFFILIATES**

These consist of:

- (i) a \$180,000 loan payable to the parent company as at August 31, 1971, (December 31, 1970 — nil) callable after one year's prior notice; and
- (ii) a loan payable to an affiliated company of \$6,558,000 as at August 31, 1971, (December 31, 1970 — \$6,958,000) repayable in escalating amounts quarterly to 1990. The amount payable may be subject to adjustment by not more than \$750,000 for the year ending December 31, 1971, as provided in the agreement giving rise to the obligation.

Both loans bear interest based on the company's quarterly average bank borrowing rate.

7. **CAPITAL STOCK**

- (i) On December 31, 1970, and August 31, 1971, the capital consisted of 2,000 authorized, issued and fully paid \$10 par value common shares \$20,000
- (ii) The pro forma capital stock includes contributed capital and is as follows:

	Pro forma "A"		Pro forma "B"	
	Shares	Amount	Shares	Amount
600,000 \$14 par value cumulative, voting, preferred shares redeemable after 1990 at par..	100,000	1,400,000	600,000	8,400,000
10,000,000 no par value common shares	2,000,000	40,000	2,000,000	40,000
Contributed capital		180,000		180,000
		<u>\$1,620,000</u>		<u>\$8,620,000</u>

8. **PROVISION FOR INCOME TAXES**

For the eight months ended August 31, 1971, income taxes otherwise payable of \$76,000 have been reduced by \$60,000 on application of a prior year's loss carry forward and by \$16,000 on reduction of deferred income taxes.

AUDITORS' REPORT

To the Directors of Hunter Douglas Canada Limited:

We have examined the balance sheet of Hunter Douglas Canada Limited (formerly Burnaby Venetian Blinds Limited) as at December 31, 1970 and the statements of earnings and retained earnings for the ten months then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these statements present fairly the financial position of the company as at December 31, 1970 and the results of its operations for the ten months then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding period.

COOPERS & LYBRAND

Montreal, October 26, 1971

Chartered Accountants

AUDITORS' REPORT

To the Directors of Hunter Douglas Canada Limited.

We have examined the statements of earnings and retained earnings of Hunter Douglas Canada Limited (formerly Burnaby Venetian Blinds Limited) for the six months ended February 28, 1970. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these statements present fairly the results of the operations of the company for the six months ended February 28, 1970 in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding period.

COOPERS & LYBRAND

THORNE, GUNN, HELLIWELL & CHRISTENSON

Montreal, October 26, 1971

Chartered Accountants

Chartered Accountants

AUDITORS' REPORT

To the Directors of Hunter Douglas Canada Limited:

We have examined the statement of earnings and retained earnings of Hunter Douglas Canada Limited (formerly Burnaby Venetian Blinds Limited) for the four years ended August 31, 1969. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these statements present fairly the results of the operations of the company for the four years ended August 31, 1969 in accordance with generally accepted accounting principles applied on a consistent basis.

THORNE, GUNN, HELLIWELL & CHRISTENSON

Montreal, October 26, 1971

Chartered Accountants

HUNTER DOUGLAS CANADA LIMITED

UNAUDITED PRO FORMA COMBINED STATEMENT OF EARNINGS

FOR THE FIVE YEARS AND EIGHT MONTHS ENDED AUGUST 31, 1971 (notes 1 and 2)

(in thousands of Canadian dollars)

	8 months ended Aug. 31		12 months ended Dec. 31			
	1971	1970	1969	1968	1967	1966
	\$	\$	\$	\$	\$	\$
NET SALES	8,611	11,387	11,261	7,637	7,496	6,455
COST OF SALES	5,882	7,736	7,619	5,279	5,124	4,719
GROSS PROFIT	2,729	3,651	3,642	2,358	2,372	1,736
EARNED SERVICE CHARGES	40	125	102	66	42	23
	<u>2,769</u>	<u>3,776</u>	<u>3,744</u>	<u>2,424</u>	<u>2,414</u>	<u>1,759</u>
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES	2,241	2,793	2,514	1,946	1,839	1,542
EARNINGS FROM OPERATIONS	<u>528</u>	<u>983</u>	<u>1,230</u>	<u>478</u>	<u>575</u>	<u>217</u>
INTEREST EXPENSE						
Interest on loan from affiliated company .	302	144				
Other	78	238	218	156	115	145
	<u>380</u>	<u>382</u>	<u>218</u>	<u>156</u>	<u>115</u>	<u>145</u>
EARNINGS BEFORE INCOME TAXES	148	601	1,012	322	460	72
PROVISION FOR INCOME TAXES	77	312	526	167	239	37
NET EARNINGS FOR PERIOD (note 3)	<u>71</u>	<u>289</u>	<u>486</u>	<u>155</u>	<u>221</u>	<u>35</u>
ADJUSTED NET EARNINGS FOR PERIOD (notes 3 (a) and (b) (i))	<u>100</u>	<u>301</u>				
ADJUSTED NET EARNINGS FOR PERIOD (notes 3 (a) and (b) (ii))	<u>246</u>	<u>361</u>				

Notes:

1. CORPORATE ORGANIZATION

Hunter Douglas Canada Limited was formerly known as Burnaby Venetian Blinds Limited. On March 1, 1970, it became a subsidiary of Hunter Douglas Limited. On September 23, 1970, it changed its name to Hunter Douglas Canada Limited. On October 2, 1970, it acquired the Canadian assets and operations (mainly Pointe Claire plant) of Hunter Douglas Limited, its parent company. Home Development Corp. has been a subsidiary of Hunter Douglas Limited throughout the period and became a subsidiary of Hunter Douglas Canada Limited by transfer of all its shares from Hunter Douglas Limited to Hunter Douglas Canada Limited on September 30, 1971.

2. PRO FORMA STATEMENT OF EARNINGS

This statements includes:

Hunter Douglas Canada Limited

(a) Burnaby Venetian Blinds Limited operations from January 1, 1966, to August 31, 1971.

(b) Hunter Douglas Limited's former Canadian operations from October 2, 1970, to August 31, 1971.

Hunter Douglas Limited

Canadian operations from January 1, 1966, to October 2, 1970.

Home Development Corp.

Operation from January 1, 1966, to August 31, 1971.

3. ADJUSTED NET EARNINGS

The adjusted net earnings reflect on a pro forma basis carried back to October 2, 1970, the reduction of interest costs which would result from the following events:

(a) Utilization of the \$120,000 cash proceeds of the October 1 and 5, 1971, issue of a total of 2,000 Hunter Douglas Canada Limited common shares to reduce bank borrowings.

(b) Reduction of long-term debt to affiliated companies, which arose through acquisition of Hunter Douglas Limited's former Canadian operations on October 2, 1970, by the proceeds of issue of \$14 par value cumulative, voting, preferred shares under agreement with an underwriter as follows:

(i) Net proceeds of \$1,360,000, assuming issue of 100,000 \$14 par value cumulative, voting, preferred shares at par after deducting \$40,000 in fees and expenses (minimum number of such shares required to be issued).

(ii) Net proceeds of \$8,360,000, assuming issue of 600,000 \$14 par value cumulative, voting, preferred shares at par after deducting \$40,000 in fees and expenses (maximum number of such shares required to be issued).

HUNTER DOUGLAS LIMITED AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEET

(in thousands of United States dollars)

ASSETS	Dec. 31 1970	June 30 1971 (unaudited)
CURRENT ASSETS	\$	\$
Cash	6,771	3,944
Notes and accounts receivable	35,097	39,842
Inventories (note 2)	44,983	51,542
	<u>86,851</u>	<u>95,328</u>
PROPERTY, PLANT AND EQUIPMENT (note 3)	<u>30,284</u>	<u>34,426</u>
OTHER ASSETS		
Investments in and advances to unconsolidated subsidiaries and other companies — at cost (note 1)	936	1,603
Notes and accounts receivable — long-term	2,885	3,154
Employee housing — net of related mortgages payable of \$1,947,000 (June 30, 1971 — \$1,769,000)	1,215	1,446
Intangible assets — at cost less amortization	202	250
Excess of investments in subsidiaries over net assets at dates of acquisition	4,010	4,374
	<u>9,248</u>	<u>10,827</u>
	<u>126,383</u>	<u>140,581</u>
LIABILITIES		
CURRENT LIABILITIES	\$	\$
Bank advances	16,192	15,780
Accounts payable and accrued liabilities	33,496	39,845
Income taxes	4,417	4,662
Long-term debt due within one year	1,148	1,952
	<u>55,253</u>	<u>62,239</u>
OTHER LIABILITIES		
Provision for warranties	1,993	2,453
Provision for pensions	2,719	2,915
Deferred taxes	1,629	1,492
	<u>6,341</u>	<u>6,860</u>
LONG-TERM DEBT (note 4)	<u>6,730</u>	<u>11,277</u>
MINORITY INTEREST — including an amount of \$695,000 (June 30, 1971 — nil) attributable to preferred shares	<u>6,363</u>	<u>5,731</u>
	<u>74,687</u>	<u>86,107</u>
SHAREHOLDERS' EQUITY		
CAPITAL STOCK (notes 5 and 6)	<u>1,905</u>	<u>1,906</u>
CONTRIBUTED CAPITAL	<u>9,248</u>	<u>9,270</u>
RETAINED EARNINGS	<u>40,543</u>	<u>43,298</u>
	<u>51,696</u>	<u>54,474</u>
	<u>126,383</u>	<u>140,581</u>

The accompanying notes are an integral part of these financial statements.

APPROVED ON BEHALF OF THE BOARD

J. COLEMAN, Director

FRANK B. CRAIG, Director

HUNTER DOUGLAS LIMITED AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF INCOME

(in thousands of United States dollars)

	6 Months Ended June 30		Years Ended Dec. 31				
	1971	1970	1970	1969	1968	1967	1966
	(Unaudited)	(Unaudited)					
	\$	\$	\$	\$	\$	\$	\$
SALES, less returns and allowances	77,347	57,619	129,777	107,734	87,268	68,898	61,868
COST OF SALES	53,061	37,804	84,886	70,707	56,393	44,461	40,132
GROSS PROFIT	24,286	19,815	44,891	37,027	30,875	24,437	21,736
SELLING, GENERAL AND							
ADMINISTRATIVE EXPENSES ..	17,104	14,295	31,150	25,358	20,556	17,375	15,813
INCOME FROM OPERATIONS	7,182	5,520	13,741	11,669	10,319	7,062	5,923
OTHER EXPENSES AND (INCOME)							
Interest expenses							
— long-term debt	434	287	677	612	542	629	525
— other	1,125	960	2,120	1,272	683	380	442
Foreign exchange	(38)	18	(158)	(199)	257	69	114
Interest income	(361)	(334)	(788)	(503)	(366)	(374)	(357)
Miscellaneous	23	(38)	(12)	(113)	56	52	(34)
	1,183	893	1,839	1,069	1,172	756	690
INCOME BEFORE INCOME TAXES	5,999	4,627	11,902	10,600	9,147	6,306	5,233
INCOME TAXES	2,860	1,972	4,796	3,915	3,534	2,498	2,053
INCOME BEFORE MINORITY							
INTEREST	3,139	2,655	7,106	6,685	5,613	3,808	3,180
MINORITY INTEREST	384	244	765	705	508	403	281
NET INCOME	2,755	2,411	6,341	5,980	5,105	3,405	2,899
NET INCOME PER COMMON AND DEFERRED SHARE	\$0.47	\$0.42	\$1.10	\$1.08	\$0.97	\$0.63	\$0.53

CONSOLIDATED STATEMENT OF RETAINED EARNINGS

(in thousands of United States dollars)

	6 Months Ended June 30		Years Ended Dec. 31				
	1971	1970	1970	1969	1968	1967	1966
	(Unaudited)	(Unaudited)					
	\$	\$	\$	\$	\$	\$	\$
BALANCE — BEGINNING OF PERIOD	40,543	34,218	34,218	28,308	23,226	19,891	17,086
Net income for period	2,755	2,411	6,341	5,980	5,105	3,405	2,898
	43,298	36,629	40,559	34,288	28,331	23,296	19,984
Dividends on preferred shares	—	16	16	70	23	70	93
BALANCE — END OF PERIOD	43,298	36,613	40,543	34,218	28,308	23,226	19,891

The accompanying notes are an integral part of these financial statements.

HUNTER DOUGLAS LIMITED AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE FIVE YEARS ENDED DECEMBER 31, 1970 AND THE SIX MONTHS ENDED JUNE 30, 1971

(in thousands of United States dollars except as otherwise stated)

(Information with respect to June 30, 1971, and the period then ended is unaudited)

1. PRINCIPLES OF CONSOLIDATION

(a) The consolidated financial statements include the accounts of Hunter Douglas Limited and its wholly or majority owned subsidiaries ("Group") with the exception of certain subsidiaries which during the applicable period(s) were in the course of formation or whose operations were not significant and were not directly related to those of the Group. The Group's share in the equity of these subsidiary companies was at least equal to the amount of its investment therein. All 50% owned companies have also been consolidated as their operations form an integral part of the operations of the Group.

(b) The consolidated financial statements are expressed in thousands of United States dollars and have been translated from other currencies as follows:

Current assets and liabilities at rates of exchange at the balance sheet date; long-term assets and liabilities and shareholders' equity at rates of exchange applicable at the time of acquisition or when the debt was incurred; income and expenses, other than depreciation and amortization, at the average rates of exchange during the year.

Unrealized gains on exchange arising from this method are deferred; unrealized losses are charged to results for the current year to the extent that they exceed previously deferred amounts.

2. INVENTORIES

Finished goods and work in process are stated principally at the lower of average production cost or market. Raw materials are stated principally at the lower of cost (on a first-in first-out basis) or market.

Inventories are classified as follows:

	Dec. 31, 1970	June 30, 1971
Finished goods	19,362	21,145
Work in process	14,971	19,954
Raw materials	10,650	10,443
	<u>44,983</u>	<u>51,542</u>

3. PROPERTY PLANT AND EQUIPMENT

Property, plant and equipment is classified as follows:

	Dec. 31, 1970	June 30, 1971
Land	3,606	3,669
Buildings	18,058	21,097
Machinery and equipment	31,095	40,636
Cost	<u>52,759</u>	<u>65,402</u>
Accumulated depreciation	22,475	30,976
	<u>30,284</u>	<u>34,426</u>

4. LONG-TERM DEBT

	Dec. 31, 1970	June 30, 1971
Unsecured loans and notes payable	4,351	7,973
4¾ % - 8¾ % mortgage loans, maturing in varying instalments through 1995	<u>2,379</u>	<u>3,304</u>
	<u>6,730</u>	<u>11,277</u>

The aggregate annual amount of maturities over the next five years are as follows:

1972 - \$1,952; 1973 - \$6,491; 1974 - \$1,431; 1975 - \$1,017; 1976 - \$807

5. CAPITAL STOCK

Authorized Shares	Issued and Outstanding Shares					
	Dec. 31, 1970			June 30, 1971		
	Number	(Can.\$000's)	(U.S.\$000's)	Number	(Can.\$000's)	(U.S.\$000's)
2,000 5% cumulative Can.\$500 par value first preferred shares redeemable at par (i)	—	—	—	—	—	—
500,000 5¾ % cumulative Can.\$20 par value second preferred shares redeemable at par	—	—	—	—	—	—
10,000,000 Can.\$35 par value common shares (ii)	914,314	320	299	919,514	322	300
6,000,000 Can.\$35 par value deferred shares (ii)	4,858,935	<u>1,701</u>	<u>1,606</u>	4,858,935	<u>1,701</u>	<u>1,606</u>
		<u>2,021</u>	<u>1,905</u>		<u>2,023</u>	<u>1,906</u>

(i) On January 5, 1970, all issued and outstanding first preferred shares were redeemed at par and are not available for reissue. The retained earnings include an amount equal to their par value which has been set aside as required by law.

- (ii) The deferred shares are convertible to common shares at the option of their holders on a one for one basis. During the year to December 31, 1970, 13,394 deferred shares were converted, and 5,200 deferred shares were converted in the six months ended June 30, 1971. On August 18, 1971, 14,304 deferred shares were converted into common shares.

6. CAPITAL STOCK OPTIONS TO DIRECTORS, OFFICERS AND EMPLOYEES

Details of options granted and outstanding under the Company's stock option plans are as follows:

	Number of shares		Price per share	Exercisable before
	Dec. 31, 1970	June 30, 1971		
Deferred shares	6,502	—	U.S.\$ 4.58	July 1972
Deferred shares	4,811	4,811	U.S.\$ 5.23	Feb. 1973
Common shares	17,815	17,815	U.S.\$ 5.23	Feb. 1973
Common shares	75,300	76,700	Can.\$11.50	April 1976

123,691 common shares are reserved for future option grants. Options to purchase 5,200 deferred shares for U.S.\$4.58 each were exercised during the six months ended June 30, 1971. Options to purchase 10,000 common shares at Can.\$11.50 per share have been issued since June 30, 1971. Options to purchase 1,302 deferred shares and 2,702 common shares have been forfeited since December 31, 1970.

In 1967 options to purchase 100,000 shares of an Australian subsidiary were granted to employees at Aust.\$1.50 each (U.S.\$1.67), exercisable until 1972. Options to purchase 28,000 of these shares were exercised during 1970.

7. EXCHANGE REGULATIONS

Funds situated in various countries in which the Group operates are subject to exchange regulations which are dependent upon the nature of the funds and regulations existing in a particular country at any one time. In the main, only minor restrictions exist on the withdrawal of cash of a current nature, such as dividends. Major withdrawals of funds of a capital nature may, however, become subject to exchange restrictions.

8. PENSION PLANS

The Group has several pension plans covering most employees. Charges to costs and expenses under these plans amounted to \$709,835 in 1970 and \$483,790 for the first six months in 1971 and include amortization of prior service costs.

9. CONTRACTUAL COMMITMENTS

(a) As at June 30, 1971, there were commitments for capital expenditures as follows: Remaining 6 months, 1971, \$3,794,000; 1972, \$2,570,000; 1973, \$1,772,000.

(b) A subsidiary company is a limited minority partner in a project and has guaranteed repayment of its share of certain long term financing. The subsidiary's portion is estimated at \$10,250,000 to 1992.

(c) Other commitments and contingencies consist of bills under discount of \$3,260,000 (1971, \$3,900,000) guarantees totalling \$250,000 (1971, \$252,000) in respect of bank loans to unconsolidated subsidiaries; other sundry guarantees of \$244,000 (1971, \$300,000) and annual rentals of \$148,000 (1971, \$168,000) in respect of long-term leases expiring at varying dates to 2061.

10. DEPRECIATION AND AMORTIZATION

Depreciation and amortization has been charged in the accounts as follows: 1970, \$4,083,877; six months ended June 30, 1971, \$2,311,466.

11. SUBSEQUENT EVENTS

On October 25, 1971, the shareholders of Hunter Douglas Limited, approved (a) the transfer to Hunter Douglas N.V. of all of Hunter Douglas Limited's assets subject to liabilities at their book value in consideration of (i) assumption of all of Hunter Douglas Limited's liabilities and (ii) the issue to Hunter Douglas Limited as fully paid and non assessable of a number of hfl.1 par value common shares of Hunter Douglas N.V. equal to the number of Can.\$35 par value common shares of Hunter Douglas Limited issued and outstanding on such date as Hunter Douglas Limited may specify and a number of hfl.1 par value deferred shares of Hunter Douglas N.V. equal to the number of Can.\$35 par value deferred shares of Hunter Douglas Limited issued and outstanding on the same date, but of not more than 7,000,000 common and deferred shares of hfl.1 par value of Hunter Douglas N.V. in the aggregate; approved (b) a plan of complete liquidation of Hunter Douglas Limited requiring Hunter Douglas Limited to distribute, as soon as practical after receipt of the common and deferred shares of Hunter Douglas N.V. described above, one hfl.1 par value common share of Hunter Douglas N.V. for each Can.\$35 par value common share of Hunter Douglas Limited issued and outstanding on the date referred to above and one hfl.1 par value deferred share of Hunter Douglas N.V. for each Can.\$35 par value deferred share of Hunter Douglas Limited issued and outstanding on such date; authorized (c) an application for the surrender of the charter of HDL.

On October 4, 1971, Hunter Douglas N.V. declared a 20% stock dividend payable to holders of its hfl.1 par value common shares on the day on which Hunter Douglas Limited effects the liquidating distribution referred to above, provided such liquidating distribution takes place on or before December 23, 1971.

AUDITORS' REPORT

To the Directors of Hunter Douglas Limited:

We have examined the consolidated balance sheet of Hunter Douglas Limited and its subsidiaries as at December 31, 1970, and the consolidated statements of income and retained earnings for the five years then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances. Our opinion as expressed herein, in so far as it relates to certain subsidiaries of Hunter Douglas Limited of which we are not the auditors, is based solely upon the reports of other auditors which were furnished to us.

In our opinion these consolidated financial statements present fairly the financial position of the companies as at December 31, 1970, and the results of their operations for the five years then ended, in accordance with generally accepted accounting principles applied on a consistent basis.

Rotterdam, October 26, 1971

COOPERS & LYBRAND
Accountants

HUNTER DOUGLAS N.V. AND SUBSIDIARIES
UNAUDITED PRO FORMA CONSOLIDATED BALANCE SHEET
(in thousands of United States dollars)
as at June 30, 1971

ASSETS	"A"	"B"	"C"
CURRENT ASSETS	\$	\$	\$
Cash	3,824	3,824	3,824
Notes and accounts receivable	39,842	39,842	39,842
Inventories	51,542	51,542	51,542
	<u>95,208</u>	<u>95,208</u>	<u>95,208</u>
PROPERTY, PLANT AND EQUIPMENT	<u>34,426</u>	<u>34,426</u>	<u>34,426</u>
OTHER ASSETS			
Investments in and advances to unconsolidated subsidiaries and other companies — at cost	1,603	1,603	1,603
Notes and accounts receivable — long-term	3,154	3,154	3,154
Employee housing — net of related mortgages payable of \$1,769,000	1,446	1,446	1,446
Intangible assets — at cost less amortization	250	250	250
Excess of investments in subsidiaries over net assets at dates of acquisition	4,374	4,374	4,374
	<u>10,827</u>	<u>10,827</u>	<u>10,827</u>
	<u>140,461</u>	<u>140,461</u>	<u>140,461</u>
LIABILITIES			
CURRENT LIABILITIES			
Bank advances	15,780	15,780	15,780
Accounts payable and accrued liabilities	39,845	39,845	39,845
Income taxes	4,662	4,662	4,662
Long-term debt due within one year	1,952	1,952	1,952
	<u>62,239</u>	<u>62,239</u>	<u>62,239</u>
OTHER LIABILITIES			
Provision for warranties	2,453	2,453	2,453
Provision for pensions	2,915	2,915	2,915
Deferred taxes	1,492	1,492	1,492
	<u>6,860</u>	<u>6,860</u>	<u>6,860</u>
LONG-TERM DEBT	<u>11,277</u>	<u>11,277</u>	<u>11,277</u>
MINORITY INTEREST (note 3)	5,731	7,117	14,047
	<u>86,107</u>	<u>87,493</u>	<u>94,423</u>
SHAREHOLDERS' EQUITY			
CAPITAL STOCK (note 4)	1,789	1,759	1,609
CONTRIBUTED CAPITAL	9,387	8,031	1,251
RETAINED EARNINGS	43,178	43,178	43,178
	<u>54,354</u>	<u>52,968</u>	<u>46,038</u>
	<u>140,461</u>	<u>140,461</u>	<u>140,461</u>

The accompanying notes are an integral part of these financial statements.

APPROVED ON BEHALF OF THE BOARD

J. COLEMAN, Director

FRANK B. CRAIG, Director

HUNTER DOUGLAS N.V. AND SUBSIDIARIES

NOTES TO UNAUDITED PRO FORMA CONSOLIDATED BALANCE SHEET

(in thousands of United States dollars except as otherwise stated)

1. The pro forma consolidated balance sheets are based on the unaudited consolidated balance sheet of Hunter Douglas Limited, the predecessor company, as at June 30, 1971, and, on a pooling of interests basis, give effect to the following:
 - (a) conversion of 14,304 Can.\$35 par value deferred shares of Hunter Douglas Limited into 14,304 Can.\$35 par value common shares of Hunter Douglas Limited after June 30, 1971; and
 - (b) transfer to Hunter Douglas N.V. of all net assets of Hunter Douglas Limited in exchange for 933,818 hfl.1 par value common shares and 4,844,631 hfl.1 par value deferred shares of Hunter Douglas N.V. (equal to number of Hunter Douglas Limited's issued and outstanding Can.\$35 par value common and deferred shares on September 30, 1971.)
2. In addition to the above:
 - (a) pro forma column "A" gives effect to a 20% stock dividend on the hfl.1 par value common shares of Hunter Douglas N.V.,
 - (b) pro forma column "B" gives effect to the above stock dividend, the purchase at Can.\$14 per share of 100,000 hfl.1 par value common shares of Hunter Douglas N.V. by Hunter Douglas International N.V., a wholly owned subsidiary, and their retention by Hunter Douglas International N.V. as an investment, the sale at par of 100,000 of its Can.\$14 par value cumulative, voting, preferred shares by Hunter Douglas Canada Limited, a subsidiary, and Can.\$120,000 expenses in connection therewith, and
 - (c) pro forma column "C" gives effect to all events reflected in pro forma column "B", except that the number of hfl.1 par value common shares of Hunter Douglas N.V. purchased and the number of Can.\$14 par value cumulative, voting, preferred shares of Hunter Douglas Canada Limited sold, is reflected as 600,000.
3. Minority interest attributed to the Can.\$14 cumulative, voting, preferred shares of Hunter Douglas Canada Limited is as follows:

Pro forma consolidated balance sheet "A"	Nil
Pro forma consolidated balance sheet "B" (100,000 shares)	\$1,386,000
Pro forma consolidated balance sheet "C" (600,000 shares)	\$8,316,000

4. The authorized and issued pro forma capital stock is:

Authorized	Issued and Outstanding					
	Pro forma "A"		Pro forma "B"		Pro forma "C"	
	Shares	Amount	Shares	Amount	Shares	Amount
10,000,000 common shares of hfl.1 par value	1,120,581	336	1,020,581	306	520,581	156
6,000,000 deferred shares of hfl.1 par value	4,844,631	1,453	4,844,631	1,453	4,844,631	1,453
		<u>1,789</u>		<u>1,759</u>		<u>1,609</u>

The deferred shares are convertible to common shares on a one for one basis.

November 9, 1971

CERTIFICATE OF HDCL

The foregoing constitutes full, true and plain disclosure of all material facts relating to the securities offered by this prospectus as required by Part VII of the Securities Act, 1967 (British Columbia), Part 7 of The Securities Act, (Alberta), Part VIII of The Securities Act, 1967 (Saskatchewan), Part VII of The Securities Act, (Ontario), Part VII of The Securities Act, (Manitoba), section 13 of the Securities Act (New Brunswick) and under the Securities Act (Quebec) and by the respective regulations made under said Acts.

JOHN A. KAY

Chief Executive Officer

J. MACE

Treasurer

On behalf of the Board of Directors

J. COLEMAN

Director

RALPH SONNENBERG

Director

DIRECTORS

JOHN HEWSON COLEMAN

JOHN ADAM KAY

RALPH SONNENBERG

By his signature affixed below the undersigned has, both personally and pursuant to powers of attorney duly executed, signed this prospectus on behalf of all Directors of Hunter Douglas Canada Limited.

JOHN A. KAY

Director

CERTIFICATE OF HDL

The foregoing constitutes full, true and plain disclosure of all material facts relating to the securities offered by this prospectus as required by Part VII of the Securities Act, 1967 (British Columbia), Part 7 of The Securities Act, (Alberta), Part VIII of The Securities Act, 1967 (Saskatchewan), Part VII of The Securities Act, (Ontario), Part VII of The Securities Act, (Manitoba), section 13 of the Securities Act (New Brunswick) and under the Securities Act (Quebec) and by the respective regulations made under said Acts.

RALPH SONNENBERG

Chief Executive Officer

JOHN L. BRUHL

Treasurer

On behalf of the Board of Directors

FRANK B. CRAIG

Director

W. HEYMAN

Director

DIRECTORS

JOHANNES HENDRICK OTTO
GRAAF VAN DEN BOSCH

CHRISTIAN FRIEDRICH KARSTEN

JOHN HEWSON COLEMAN

ALAN CLARENCE POND

FRANK BALDWIN CRAIG

HENRY SONNENBERG

HERMAN JAN HELLEMA

RALPH SONNENBERG

WALTER LEO HEYMAN

JAN VAN DER VELDEN

By his signature affixed below the undersigned has, both personally and pursuant to powers of attorney duly executed, signed this prospectus on behalf of all Directors of Hunter Douglas Limited above.

FRANK B. CRAIG
Director

CERTIFICATE OF HDNV

The foregoing constitutes full, true and plain disclosure of all material facts relating to the securities offered by this prospectus as required by Part VII of the Securities Act, 1967 (British Columbia), Part 7 of The Securities Act, (Alberta), Part VIII of The Securities Act, 1967 (Saskatchewan), Part VII of The Securities Act, (Ontario), Part VII of The Securities Act, (Manitoba), section 13 of the Securities Act (New Brunswick) and under the Securities Act (Quebec) and by the respective regulations made under said Acts.

RALPH SONNENBERG
Chief Executive Officer

JOHN L. BRUHL
Treasurer

On behalf of the Board of Directors

FRANK B. CRAIG
Director

W. HEYMAN
Director

DIRECTORS

JOHANNES HENDRICK OTTO
GRAAF VAN DEN BOSCH
JOHN HEWSON COLEMAN
FRANK BALDWIN CRAIG
HERMAN JAN HELLEMA
WALTER LEO HEYMAN

ELMER LESLIE JOUBERT
CHRISTIAN FRIEDRICH KARSTEN
ALAN CLARENCE POND
HENRY SONNENBERG
RALPH SONNENBERG
JAN VAN DER VELDEN

By his signature affixed below, the undersigned has, both personally and pursuant to powers of attorney duly executed, signed this prospectus on behalf of all Directors of Hunter Douglas N.V.

FRANK B. CRAIG
Director

CERTIFICATE OF THE UNDERWRITER

To the best of our knowledge, information and belief, the foregoing constitutes full, true and plain disclosure of all material facts relating to the securities offered by this prospectus as required by Part VII of the Securities Act, 1967 (British Columbia), Part 7 of The Securities Act (Alberta), Part VIII of The Securities Act, 1967 (Saskatchewan), Part VII of The Securities Act (Ontario), Part VII of The Securities Act (Manitoba), section 13 of the Securities Act (New Brunswick) and under the Securities Act (Quebec) and by the respective regulations made under said Acts.

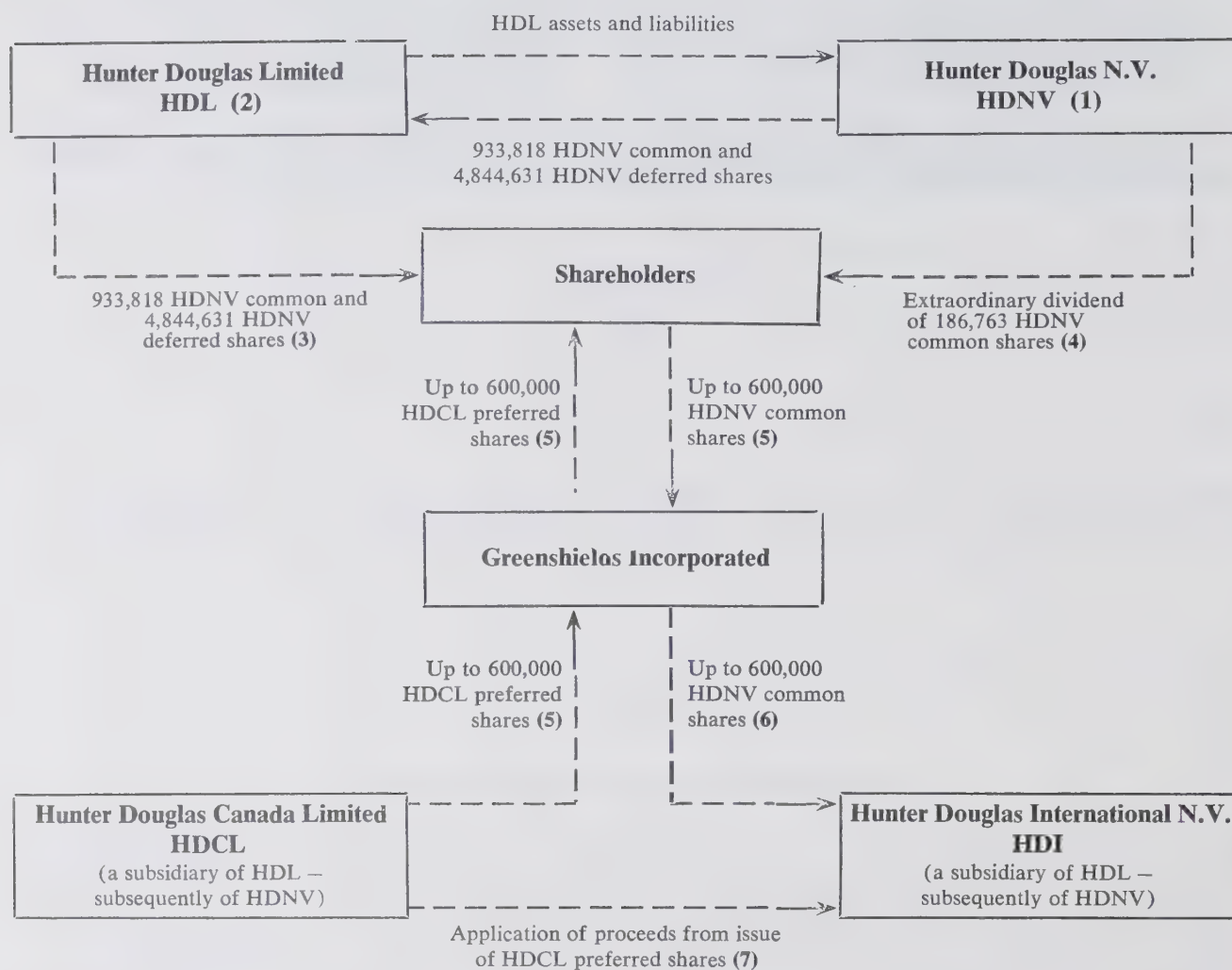
GREENSHIELDS INCORPORATED

By: N. SLAVICK

The following includes the names of every person having an interest, either directly or indirectly, to the extent of not less than 5% in the capital of Greenshields Incorporated: Peter Kilburn, Viscount Hardinge, Dudley Dawson, J. E. Brookes, W. T. Moran, B. P. Drummond, F. S. Martin and B. G. Willis.

Explanatory Chart
— Plan of Reorganisation —

HUNTER DOUGLAS GROUP



Step 1: Hunter Douglas N.V. (HDNV) incorporated in Netherlands Antilles as a wholly-owned subsidiary of Hunter Douglas Limited (HDL).

Step 2: HDL transfers all its assets and liabilities to HDNV in return for 933,818 HDNV common shares and 4,844,631 HDNV deferred shares (being equal to the number of issued and outstanding HDL common and deferred shares at the time of transfer).

Step 3: HDL distributes the HDNV common and deferred shares to its shareholders. HDL then applies to surrender its charter.

Step 4: HDNV distributes an extraordinary dividend of one new common share for every five HDNV common shares held.

Step 5: Greenshielos Incorporated acquires up to 600,000 HDNV common shares from Canadian resident shareholders in exchange for Hunter Douglas Canada Limited (HDCL) preferred shares purchased for cash from HDCL.

Step 6: Greenshielos Incorporated sells HDNV common shares acquired through Step 5 to Hunter Douglas International N.V. (HDI).

Step 7: HDCL applies proceeds of HDCL preferred issue (Step 5) to repayment of intercorporate debt to HDI.



CONSUMER AND LEISURE

- 10. Caravan Components
- 11. Plywood Panelling
- 12. Camping Tent
- 13. Garden Furniture
- 14. Garden Shed
- 15. Venetian Blind
- 16. Curtain Rail

- 17. Vertical Blind
- 18. Rollershade
- 19. Awning
- 20. Aluminum Foil
- 21. Insect Screen
- 22. Heating Boiler
- 23. Residential Siding

- 24. Shutter
- 25. Garage Door

Hunter Douglas Group

Principal Manufacturing and Distribution Operations

EUROPE AND AFRICA

AUSTRIA

Hunter Douglas, Vienna

BELGIUM

Hunter Douglas Industries Ltd., Brussels

FRANCE

Hunter Douglas s.a.r.l., Paris
Rodiac, Louveciennes

GERMANY

Hunter Douglas G.m.b.H., Dusseldorf
Graf G.m.b.H., Krefeld
Köllmann Maschinenbau G.m.b.H.,
Langenberg-Rhld.
Rodiac G.m.b.H., Dusseldorf
Sautter K.G., Markgroeningen
Wewag G.m.b.H. Dusseldorf - Bremen
Wotan Werke G.m.b.H. - V.W.F., Dusseldorf

ITALY

Promes S.R.L., Milan

THE NETHERLANDS

Hunter Douglas N.V., Rotterdam
Hunter Douglas Holland, Rotterdam -
Leek - Oudenbosch
Laagland, Rotterdam
B.V. Nederlands Aluminium Mij. (Nodal),
Utrecht
B.V. Nederlandse Gerodschappen Fabriek,
Hoogeveen
Rodiac, Rotterdam - Leek
B.V. Spimeta, Harkema
B.V. Welker, Deurne

SOUTH AFRICA

Hunter Douglas South Africa, Johannesburg

SPAIN

Hunter Douglas S.A., Barcelona - Bilbao -
Madrid - Sevilla

SWEDEN

Hunter Douglas (Scandinavia) AB, Goteborg

SWITZERLAND

Hunter Douglas Industries Ltd., Lucerne
Hunter Douglas Enterprises A.G., Lugano

UNITED KINGDOM

Hunter Douglas Limited,
Walton-on-Thames, Surrey
Soag Machinery Ltd., Brentford, Middlesex

NORTH AMERICA

CANADA

Hunter Douglas Canada Ltd., Montreal -
Edmonton - London - Quebec - Toronto -
Winnipeg
Consolidated Plywood Corp., Montreal -
Kitchener - Northbay - Quebec - Toronto
Home Development Corp., Montreal

U.S.A.

Hunter Douglas Inc., Stamford, Conn.
Hunter Douglas International Ltd.,
Stamford, Conn.
Hunter Douglas Machinery Corp., East
Paterson, N.J.

SOUTH AMERICA

BRAZIL

Hunter Douglas do Brasil, São Paulo

CHILE

Industrias Metalicas Chile S.A., Santiago

COLOMBIA

Industrias Metalicas Hunter Douglas S.A.,
Bogotá

VENEZUELA

Industrias Metalicas Hunter Douglas C.A.,
Caracas

AUSTRALASIA

AUSTRALIA

Hunter Douglas Limited, Sydney - Adelaide -
Brisbane - Melbourne - Perth
Dural Leeds Pty., Ltd., Melbourne -
Adelaide - Brisbane - Sydney - Perth
Eise & Mitchell Pty., Ltd., Melbourne
Flexalum Furniture, Sydney
Mello-Lite Pty., Ltd., Sydney - Adelaide -
Brisbane - Melbourne - Perth
Shademaster Pty., Ltd., Sydney - Adelaide -
Brisbane - Melbourne - Perth
Young & Mitchell (Industries) Pty., Ltd.,
Newcastle

NEW ZEALAND

Hunter Douglas Ltd., Auckland

ASIA

Nippon Hunter Douglas K.K., Atsugi, Japan
Austasia Industries Ltd., Singapore -
Kuala Lumpur, Malaysia



Liabilities

	1972	1971
		\$
Current liabilities		
Bank advances	21,957,750	20,763,897
Accounts payable — trade	19,944,719	26,229,388
Accrued wages and other compensation	3,396,457	2,404,196
Other accounts payable and accrued expenses	15,447,479	13,983,967
Income taxes	6,480,039	5,772,661
Long-term debt due within one year	1,689,589	2,385,457
Total current liabilities	68,916,033	71,539,566
Provisions		
Warranties	2,882,571	2,518,758
Pensions (note 6)	2,906,476	2,810,142
Deferred taxes	1,857,280	1,743,985
	7,646,327	7,072,885
Long-term debt (note 2)	21,200,408	11,780,149
Deferred exchange credits (note 1)	3,027,509	2,684,670
Minority interest	7,407,177	6,062,451
	108,197,454	99,139,721

Shareholders' equity

Capital stock (notes 3 and 4)	2,014,833	1,967,361
Additional paid-in capital	9,338,669	9,209,135
Retained earnings	56,496,609	47,801,520
	67,850,111	58,978,016
	176,047,565	158,117,737

The appended notes are an integral part of the financial statements.

Consolidated statement of changes in financial position

for the year ended January 6, 1973, in U.S. dollars (note 1)

Source of funds

	1972	1971
	\$	\$
From operations		
Net income	8,732,213	7,258,159
Charges to operations not requiring an outlay of cash		
Depreciation and amortization.	6,013,901	4,856,085
Provisions-net	573,442	731,853
Income applicable to minority interest, net of dividends in 1972 of \$ 550,959 (1971 - \$ 389,607)	834,199	730,286
Other	86,064	73,864
Total working capital provided by operations	16,239,819	13,650,247
Increase in long-term debt - net.	9,420,259	5,049,811
Sale of shares under stock option plans	177,006	23,793
Deferred exchange credits (note 1)	342,839	2,032,373
	<u>26,179,923</u>	<u>20,756,224</u>

Use of funds

Additions to property, plant and equipment, net of retirements in 1972 of \$ 1,285,825 (1971 - \$ 745,794)	9,115,122	9,116,274
Property, plant and equipment of consolidated subsidiaries acquired	1,875,775	3,665,576
Decrease (increase) in minority interests	(510,527)	1,030,548
Increase in other assets - net	3,199,311	1,333,452
Dividends	37,124	—
	<u>13,716,805</u>	<u>15,145,850</u>
Increase in working capital	<u>12,463,118</u>	<u>5,610,374</u>

Changes in components of working capital

Increase (decrease) in current assets:

Cash.	(33,596)	(2,522,969)
Notes and accounts receivable.	4,917,150	11,306,671
Inventories.	3,916,049	12,079,568
Prepaid expenses and other current assets.	1,039,982	1,686,308
Net increase in current assets.	<u>9,839,585</u>	<u>22,549,578</u>

Increase (decrease) in current liabilities:

Bank advances.	1,193,853	4,572,001
Accounts payable - trade	(6,284,669)	8,060,048
Other current liabilities	2,467,283	4,307,155
Net increase (decrease) in current liabilities	<u>(2,623,533)</u>	<u>16,939,204</u>

Increase in working capital	<u>12,463,118</u>	<u>5,610,374</u>
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Notes to consolidated financial statements

for the year ended January 6, 1973, in U.S. dollars

1. SUMMARY OF ACCOUNTING POLICIES

Consolidation

The consolidated financial statements include the accounts of Hunter Douglas N.V. and its wholly or majority owned subsidiaries with the exception of certain subsidiaries which are in the course of formation or whose operations are not significant and are not directly related to those of the Group. All 50% owned companies have also been consolidated as their operations form an integral part of the operations of the Group. Certain subsidiaries have been consolidated on an exact calender year basis, the effect of which on the Group's equity and net income for the year is negligible.

Foreign Exchange

The consolidated financial statements are expressed in U.S. dollars and have been translated from other currencies as follows: Current assets and liabilities at rates of exchange at the balance sheet date; long term assets and liabilities and shareholders' equity at rates of exchange applicable at the time of acquisition or when the debt was incurred; income and expenses, other than depreciation and amortization, at the average rates of exchange during the year. Unrealized exchange gains are deferred; unrealized losses are charged to results for the current year to the extent that they exceed previously deferred exchange credits.

Inventories

Finished goods and work-in-process are stated principally at the lower of average production cost or market. Raw materials are stated principally at the lower of cost (on a first-in first-out basis) or market.

Fixed Assets

Property, plant and equipment, and employee housing are stated at original cost less accumulated depreciation, calculated principally on a straight-line basis over the estimated useful lives.

Investments in and Advances to Unconsolidated Subsidiaries and Other Companies

Investments in unconsolidated subsidiaries and other companies are stated at cost, adjusted for the proportionate share in their results since acquisition.

2. LONG-TERM DEBT

	1972	1971
Unsecured loans and notes payable	\$ 16,342,927	\$ 8,337,284
4¾%-9¼% mortgage loans, maturing in varying instalments through 1997	\$ 4,857,481	\$ 3,442,865
	<u>\$ 21,200,408</u>	<u>\$ 11,780,149</u>

The aggregate amount of maturities over the next five years are as follows:
1973 - \$ 1,689,589; 1974 - \$ 1,821, 097; 1975 - \$ 1,878,406; 1976 - \$ 1,215,568; 1977 - \$ 8,554,133.

3. CAPITAL STOCK

The authorized and issued capital stock is:

Common shares of Dfl. 1 par value each

	Shares	\$
Authorized: 10,000,000 shares		
Issued and fully paid up at January 1, 1972	1,120,582	366,132
Stock dividend	22,133	6,900
Stock options exercised	33,058	10,368
	<u>1,175,773</u>	<u>383,400</u>

Deferred shares of Dfl. 1 par value each

Authorized: 6,000,000 shares		
Issued and fully paid up at January 1, 1972	4,844,631	1,601,229
Stock dividend	96,892	30,204
	<u>4,941,523</u>	<u>1,631,433</u>
		<u>2,014,833</u>

The deferred shares are convertible into common shares at the option of the holders on a one for one basis.

In response to an offer to Canadian resident holders of common shares of Hunter Douglas N.V. 166,171 shares were exchanged on January 4, 1972 for 166,171 Can. \$ 14 par value voting cumulative preferred shares of Hunter Douglas Canada Limited, a subsidiary. These preferred shares are entitled to the same annual dividend per share as the Company's

common shares and prior to December 31, 1990 are exchangeable one for one into common shares of the Company. At January 6, 1973, after accounting for conversions and stock dividends, the minority interest represented by these preferred shares amounted to 118,814 shares or Can. \$ 1,663,396 and was offset against the carrying value of 118,814 of the Company's common shares, which are held by a subsidiary for future conversion of the preferred shares.

4. CAPITAL STOCK OPTIONS TO DIRECTORS, OFFICERS AND EMPLOYEES

Details of options granted and outstanding under the Company's stock option plans as at January 6, 1973 are as follows:

	Price per share	Exercisable before
250 common shares	U.S. \$ 4.36	Feb. 1973
79,700 common shares	Can. \$ 9.58	April 1975
63,350 common shares	Dfl. 32.72	Feb. 1977
1,800 common shares	Dfl. 32.75	Feb. 1977
2,000 common shares	Dfl. 50.10	July 1977

89,029 common shares are reserved for future option grants.

In 1972 options to purchase 119,000 shares of an Australian subsidiary were granted to employees at Australian \$ 3 each, exercisable between 1974 and 1976, all of which were still outstanding at January 6, 1973.

5. EXCHANGE REGULATIONS

Funds in certain countries in which the Group operates are subject to varying exchange regulations. No significant restrictions exist on transfers of a current nature, such as dividends from subsidiaries. A few countries have more severe restrictions on remittances of a capital nature.

6. PENSION PLANS

The Group has several pension plans covering most employees. Charges to costs and expenses under these plans amounted to \$ 1,196,055 in 1972 (1971 - \$ 918,003), including amortization of prior service costs over periods ranging up to 40 years. A substantial portion of pension commitments is funded.

7. MISCELLANEOUS INCOME

Miscellaneous income includes gains and losses on disposal of fixed assets and for 1972 also the gain on the disposal of a minor activity by an Australian subsidiary.

8. COMMITMENTS AND CONTINGENCIES

- (a) As at January 6, 1973 commitments for capital expenditure amounted to \$ 5,398,162.
- (b) A subsidiary which has a limited minority interest in a partnership has guaranteed repayment of its share (approximately \$ 11,000,000 to 1992) of certain long term financing.
- (c) Other commitments exist in respect of discounted bills, guarantees of bank loans to unconsolidated subsidiaries and other guarantees. Annual rentals under long-term leases expiring at varying dates to 2061 amount to \$ 226, 050. There are pending claims against Group Companies on which no losses are expected.

Auditors' report

To the Shareholders of Hunter Douglas N.V.

We have examined the consolidated balance sheet of Hunter Douglas N.V. and subsidiaries as at January 6, 1973 and the related statements of income, retained earnings and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the aforementioned consolidated financial statements present fairly the financial position of Hunter Douglas N.V. and subsidiaries as at January 6, 1973 and the results of their operations and the changes in financial position for the year then ended, in accordance with generally accepted accounting principles applied on a consistent basis.

Directors

HENRY SONNENBERG London, England	Chairman of the Board, Hunter Douglas N.V.
DR. JOHANNES H. O. graaf van den BOSCH Amersfoort, Netherlands	Investor
JOHN H. COLEMAN Toronto, Canada	Director, Deputy Chairman and Executive Vice President, The Royal Bank of Canada
FRANK B. CRAIG Wassenaar, Netherlands	Executive Vice President Hunter Douglas N.V.
PROF. DR. HERMAN J. HELLEMA Laren, Netherlands	Lawyer (served until May 29, 1972)
WALTER L. HEYMAN London, England	Vice President, Corporate Development, Hunter Douglas N.V.
DR. ELMER L. JOUBERT Willemstad, Curaçao	Notary
DR. CHRISTIAN F. KARSTEN Laren, Netherlands	Managing Director, Amsterdam-Rotterdam Bank N.V.
MARK O. L. LYNTON Wassenaar, Netherlands	Vice President, Corporate Relations Hunter Douglas N.V. (serving since May 29, 1972)
ALAN C. POND Longueville, Australia	Managing Director, Hunter Douglas Limited (Australia)
RALPH SONNENBERG Wassenaar, Netherlands	President and Chief Executive Officer, Hunter Douglas N.V.
JAN VAN DER VELDEN Wassenaar, Netherlands	President, De Nationale Nederlanden N.V. Insurance Group

Officers

RALPH SONNENBERG* Wassenaar, Netherlands	President and Chief Executive Officer
FRANK B. CRAIG* Wassenaar, Netherlands	Executive Vice President
WALTER L. HEYMAN* London, England	Vice President, Corporate Development
MARK O. L. LYNTON* Wassenaar, Netherlands	Vice President, Corporate Relations
GERHARD BAUM 's Gravenhage, Netherlands	Vice President and Comptroller
JOHN L. BRUHL Rotterdam, Netherlands	Vice President, Secretary and Treasurer
HERINUS OOSTERHUIS 's Gravenhage, Netherlands	Vice President
GABRIEL ORECHKOFF 's Gravenhage, Netherlands	Vice President and General Counsel
JADIE R. METCALF 's Gravenhage, Netherlands	Assistant Secretary

*) Is also member of Board of Directors

Five year financial highlights

in thousands of Dutch guilders except for per share data (see note below)

	1972	1971	1970	1969	1968
Net sales	717,100	624,249	469,221	390,581	315,917
Income before taxes and minority interest	51,490	50,342	43,033	38,429	33,113
Income before taxes and minority interest as % of net sales	7.2%	8.1%	9.2%	9.8%	10.5%
Net income after taxes and minority interest	28,012	25,241	22,926	21,680	18,480
Net income per common/deferred share* (after preferred dividends)	4.59	4.15	3.77	3.73	3.34
Cash flow	52,096	47,470	44,327	36,954	32,067
Cash flow per common/deferred share* .	8.53	7.80	7.29	6.36	5.80

* adjusted for splits and stock dividends.

Note: The above Dutch guilder amounts are shown for information purposes only.

The Group's business is transacted predominantly in other currencies than U.S. dollars, and for income reporting purposes these other currencies are translated into U.S. dollars at the average rates of exchange during each year. The above financial information has been obtained by translation of U.S. dollars into Dutch guilders at the same average rates as used in the compilation of the U.S. dollar income statement.

Hunter Douglas Group

Principal Manufacturing and Distribution Operations

EUROPE AND AFRICA

AUSTRIA

Hunter Douglas, Vienna

BELGIUM

Hunter Douglas Industries Ltd., Brussels

FRANCE

Hunter Douglas s.a.r.l., Paris
Rodiac, Louveciennes

GERMANY

Hunter Douglas G.m.b.H., Dusseldorf
Graf G.m.b.H., Krefeld
Köllmann Maschinenbau G.m.b.H.,
Langenberg-Rhld.
Rodiac G.m.b.H., Dusseldorf
Sautter KG, Markgroeningen
Wewag G.m.b.H. Dusseldorf - Bremen
Wotan Werke G.m.b.H. - V.W.F., Dusseldorf

ITALY

Promes S.R.L., Milan

THE NETHERLANDS

Hunter Douglas N.V., Rotterdam
Hunter Douglas Holland, Rotterdam -
Leek - Oudenbosch
Laagland, Rotterdam
B.V. Nederlandse Aluminium Mij. (Nedal),
Utrecht
B.V. Nederlandse Gereedschappen Fabriek,
Hoogeveen
Rodiac, Rotterdam - Leek
B.V. Spimeta, Harkema
B.V. Walker, Deurne

SOUTH AFRICA

Hunter Douglas South Africa, Johannesburg

SPAIN

Hunter Douglas S.A., Barcelona - Bilbao -
Madrid - Sevilla

SWEDEN

Hunter Douglas (Scandinavia) AB, Goteborg

SWITZERLAND

Hunter Douglas Industries Ltd., Lucerne
Hunter Douglas Enterprises A.G., Lugano

UNITED KINGDOM

Hunter Douglas Limited,
Walton-on-Thames, Surrey
Soag Machinery Ltd., Brentford, Middlesex

NORTH AMERICA

CANADA

Hunter Douglas Canada Ltd., Montreal -
Edmonton - London - Quebec - Toronto -
Winnipeg
Consolidated Plywood Corp., Montreal -
Kitchener - Northbay - Quebec - Toronto
Home Development Corp., Montreal

U.S.A.

Hunter Douglas Inc., Stamford, Conn.
Hunter Douglas International Ltd.,
Stamford, Conn.
Hunter Douglas Machinery Corp., East
Paterson, N.J.

SOUTH AMERICA

BRAZIL

Hunter Douglas do Brasil, São Paulo

CHILE

Industrias Metalicas Chile S.A., Santiago

COLOMBIA

Industrias Metalicas Hunter Douglas S.A.,
Bogotá

VENEZUELA

Industrias Metalicas Hunter Douglas C.A.,
Caracas

AUSTRALASIA

AUSTRALIA

Hunter Douglas Limited, Sydney - Adelaide -
Brisbane - Melbourne - Perth
Dural Leeds Pty., Ltd., Melbourne -
Adelaide - Brisbane - Sydney - Perth
Eise & Mitchell Pty., Ltd., Melbourne
Flexalum Furniture, Sydney
Mello-Lite Pty., Ltd., Sydney - Adelaide -
Brisbane - Melbourne - Perth
Shademaster Pty., Ltd., Sydney - Adelaide -
Brisbane - Melbourne - Perth
Young & Mitchell (Industries) Pty., Ltd.,
Newcastle

NEW ZEALAND

Hunter Douglas Ltd., Auckland

ASIA

Nippon Hunter Douglas K.K., Atsugi, Japan
Austasia Industries Ltd., Singapore -
Kuala Lumpur, Malaysia



Manufacturing Operations

Distribution Operations

In thousands of Dutch guilders

Six months ended June 30, 1978

	<u>1978</u>	<u>1977</u>
Net sales	579,018	462,019
Net income after taxes and minority interest	15,704	17,171
Net income per common/deferred share (based on average number outstanding during period, adjusted for stock dividends) .	Dfl. 2.01	Dfl. 2.19

The above Dutch guilder amounts are shown for information purposes only and have been converted from U.S. dollars at the average rates of exchange prevailing during the reporting periods.

The average rate of exchange between Dutch guilders and U.S. dollars changed from 2.48 for the first half of 1977 to 2.21 for the comparable 1978 period. This distorts comparison, the more so since currency values in other countries where we do business changed to a greater or lesser extent in relation to U.S. dollars.

interim report

six months ended June 30, 1978

 **Hunter Douglas Group**

To our shareholders

For the first half of 1978, the Hunter Douglas Group reports net sales of U.S. \$ 261,999,000 (U.S. \$ 186,086,000 in 1977), net earnings after taxes and minority interests of U.S. \$ 7,106,000 (U.S. \$ 6,916,000 in 1977) and earnings per average outstanding share of U.S. \$ 0.91 (U.S. \$ 0.88 in 1977 restated for stock dividends).

Of the 41% sales increase 28% represents new operations and companies whose sales had not been previously consolidated. The 13% balance reflects volume growth and inflation.

Sales and profits of our consumer, building and architectural products operations improved in North and South America and Australasia, but were lower in Europe due to stagnant economic conditions, particularly in the building industry. Our machinery operations performed well, and their sales and profits increased over last year.

During the reporting period the Group initiated an inventory reduction program which is progressing as planned.

Consistent with prior practice, results are stated in our historic reporting currency, U.S. dollars, and converted from other currencies at the average exchange rates prevailing during the reporting period. (Dutch guilder amounts are shown separately for information only).

Since our sales were made in many different currencies and the relative value of the U.S. dollar fluctuated heavily during the reporting period, no single currency can provide an entirely valid yardstick for comparing performance with prior periods. Although almost half of our business was in countries whose currency gained in relation to the U.S. dollar, such as most European countries, we also had substantial activities in countries whose currencies declined relative to the U.S. dollar, such as Canada and Brazil.

Our June 12, 1978, general shareholders' meeting elected the slate of directors proposed by the Board and declared a dividend per share of dfl 1.20 or stock equivalent, payable on July 14, 1978. All deferred shareholders and almost all common shareholders chose to receive stock dividends, thereby raising capitalisation by close to 5%.

For the full year we continue to expect good results.



Ralph Sonnenberg
President

Rotterdam,
August 30, 1978

Six months ended June 30, 1978

CONSOLIDATED STATEMENT OF INCOME

(U.S. \$ 1,000's)

	1978	1977
Net sales	261,999	186,086
Cost of sales	<u>194,636</u>	<u>129,155</u>
Gross profit	67,363	56,931
Selling, general and administrative expenses	<u>50,873</u>	<u>40,329</u>
Income from operations	16,490	16,602
Other expenses	<u>6,424</u>	<u>7,540</u>
Income before income taxes	10,066	9,062
Income taxes	<u>2,407</u>	<u>1,705</u>
Income before minority interest	7,659	7,357
Minority interest	<u>553</u>	<u>441</u>
Net income	7,106	6,916
Net income per common and deferred stock (based on average number outstanding during the period, adjusted for stock dividends)	<u><u>\$ 0.91</u></u>	<u><u>\$ 0.88</u></u>

CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION

(U.S. \$ 1,000's)

	1978	1977
Source of funds		
From operations		
Net income	7,106	6,916
Depreciation	5,076	4,029
Provisions, net	(27)	(407)
Income applicable to minority interest, net of dividends paid \$ 110,238 (1977 - \$ 110,333)	442	331
Total funds provided by operations	12,597	10,869
Sales of shares under stock option plans	49	27
Decrease in other assets, net	1,006	179
Acquisition of additional shares in a majority owned subsidiary at less than their net asset value	229	—
Total funds generated	13,881	11,075
Use of funds		
Additions to property, plant and equipment, net of retirements \$ 3,651,764 (1977 - \$ 957,011)	7,508	4,063
Property, plant and equipment of consolidated subsidiaries acquired	—	4,919
Decrease (increase) in minority interest	538	(1,011)
Decrease (increase) in long-term debt, net	3,407	(10,580)
Increase in investments in and advances to unconsolidated subsidiaries	935	1,249
Acquisition of intangibles including goodwill	—	3,740
Decrease in unrealized exchange	1,891	570
Dividends paid	—	7
Total funds used	14,279	2,957
(Decrease) increase in working capital	<u><u>(398)</u></u>	<u><u>8,118</u></u>

Subject to year end audit.

AR28

 **Hunter Douglas Group**

Printed in Holland

AR28

Six months ended June 30, 1981

DUTCH GUILDER EQUIVALENTS (thousands)

	1981	1980
Net sales	760,402	744,465
Income before interest	31,766	44,329
Net income (loss) before extraordinary items	(17,234)	1,347
Charge prior years	(9,077)	—
Cost of reorganization/restructuring	(9,811)	—
Net income (loss)	(36,122)	1,347
Net income (loss) before extraordinary items per common/deferred share*	Dfl. (1.98)	Dfl. 0.16
Net income (loss) per common/deferred share*	Dfl. (4.15)	Dfl. 1.97
Average exchange rate U.S. \$	Dfl. 2.44	Dfl. 1.97

*based on average number outstanding during the year, adjusted for stock dividends

The Dutch guilder figures are for information only and have been converted from U.S. dollars at the respective reporting periods' average exchange rates. Year to year comparison is distorted by the substantial change in average exchange rate between Dutch guilders and U.S. dollars and similar year to year changes in currency values of other countries where Hunter Douglas does business.

HUNTER DOUGLAS GROUP INTERIM REPORT

six months ended
June 30, 1981

TO THE SHAREHOLDERS

As foreseen in our 1980 annual report, 1981 is a difficult year for the Hunter Douglas Group.

In the first half of 1981, net sales were U.S. \$ 312 million (U.S. \$ 378 in 1980), and the Group incurred a U.S. \$ 7.1 million after tax loss (U.S. \$ 0.7 million net income in 1980) before extraordinary charges and reserves of U.S. \$ 7.7 million.

The lower sales volume is primarily due to the following reasons:

- While for historic reasons results are reported in U.S. dollars, most of the Group's sales are outside the U.S. and denominated in other currencies. Practically all these have declined considerably relative to the U.S. dollar during the reporting period. This shift in parities accounts for 68% of the total reduction.
- As a result of lower economic activity in Western Europe, there was a substantial decline in the trading volume of our Hunter Douglas Metals secondary metal trading operations. This accounts for 17% of the reduction in reported sales.
- The remaining 15% of the reduction in sales reflects the continuing worldwide decline in the building industry, a program to eliminate less profitable business and the discontinuation of certain operations.

Income was U.S. \$ 13,019,000 (U.S. \$ 22,502,000 in 1980) before interest of U.S. \$ 17,512,000, income taxes of U.S. \$ 1,390,000, and minority interest of U.S. \$ 1,180,000, resulting in a U.S. \$ 7,063,000 net loss before U.S. \$ 7,741,000 extraordinary charges and reserves.

The lower income is principally due to the economic decline in major market segments, particularly the building industry. Furthermore, the benefits from our restructuring program are reflected only so far to a relatively minor extent.

The high interest costs reflect record high interest rates in most of the countries in which the Group does business.

The extraordinary charges represent:

- U.S. \$ 3.7 million unexpected retroactive additional charge for nuclear power used from 1974-1980 in respect of Hunter Douglas' 15% participation in the Vlissingen, Netherlands, aluminum smelter.
- U.S. \$ 4 million reserve for reorganizing and restructuring operations in Europe.

During the reporting period, a U.S. \$ 4.2 million jury verdict was rendered in a lower United States Federal Court against Hunter Douglas Inc. for alleged civil anti-trust violations. Based on the opinion of legal counsel the judgment has been appealed to a Higher Federal Court. Management believes that the jury verdict is not supported by the evidence presented and that the company has a good chance to have the judgment reversed or substantially reduced on appeal. For this reason, no reserve has been made herefor.

Although not yet reflected in our results, the first half of 1981 was also a period of considerable achievement. Most of the Group's core businesses continued to perform well, and significant progress was made in eliminating previous problem areas and preparing the Group's return to profitability.

The Group's worldwide window covering products business, which is less dependent on the building industry, again achieved favorable results.

Hunter Douglas Europe B.V., which had experienced management and operating problems in 1980, achieved a substantial turnaround. This unit's performance and prospects are moving towards their previous profitability.

Nedal, our Dutch-based aluminum extrusion plant again performed well benefitting from the strong market position of its specialized extrusion products.

Favorit, the German door and door-frame manufacturing company, closed its Mülheim plant and transferred door-frame production to the Castrop factory as part of a consolidation program. These measures were accomplished as planned, and costs remained within the reserves established previously.

Hunter Douglas Canada Ltd., which incurred a loss in 1980 and during the early months of 1981, has returned to profitability. Results were buoyed by the introduction of a new high-insulation aluminum siding line, which represents a substantial technological advance. Profits are expected to continue to grow during the balance of 1981, but may not be sufficient to offset this company's first quarter losses.

- **Australasian operations** also continued their strong performance, maintaining high market penetration and good profits. The Tomago aluminum smelter, in which our Australian subsidiary Hunter Douglas Limited has a 3% participation, has received the required governmental consents. Construction is proceeding as planned.

- The Group's **machinery operations** again performed satisfactorily in accordance with plans.

It is the Group's policy to account for unrealized exchange translation adjustments directly in shareholders' equity. Most of the Group's net assets are located in countries whose currency declined significantly against the U.S. dollar. Since net current assets are translated into U.S. dollars at end of period exchange rates, our equity was reduced by almost U.S. \$ 19 million unrealized exchange translation adjustments.

Our June 10, 1981, general shareholders' meeting elected the slate of directors proposed by the Board and, in accordance with the Directors' recommendation, did not declare a dividend.

During this period of economic difficulty, management is focusing the Group's efforts and resources on its core businesses. Peripheral activities with insufficient returns or unsatisfactory outlook are being curtailed or divested. As a consequence, management is confident that the Group will soon return to profitability.



Rotterdam,
August 31, 1981

Ralph Sonnenberg,
President

HUNTER DOUGLAS N.V.

Six months ended June 30, 1981

CONSOLIDATED STATEMENT OF INCOME

Net sales	
Cost of sales	
Gross profit	
Selling, general and administrative expenses	
Income from operations	
Non-operating income	
Income before interest	
Interest	
Income (loss) before taxes	
Taxes on income	
Income (loss) before minority interest	
Minority interest	
Net income (loss) before extraordinary items	
Charge prior years	
Cost of reorganization/restructuring	
Net income (loss)	
Net income (loss) before extraordinary items per common and deferred share*	
Net income (loss) per common/deferred share[†]	

*based on average number outstanding during the year, adjusted for stock dividends

U.S. dollars (thousands)

1981	1980
311,640	377,901
235,780	293,382
75,860	84,519
64,046	63,545
11,814	20,974
1,205	1,528
13,019	22,502
(17,512)	(15,411)
(4,493)	7,091
1,390	5,695
(5,883)	1,396
1,180	712
(7,063)	684
(3,720)	—
(4,021)	—
(14,804)	684
\$ (0.81)	\$ 0.08
\$ (1.70)	\$ 0.08

CONSOLIDATED STATEMENT OF CHANGES

Source of funds	
From operations	
Net income (loss)	
Depreciation	
(Decrease) increase in provision for deferred tax	
Increase in provision for pensions	
Income applicable to minority interest net of 459 (1980 - 266) dividends paid	
Cash flow from operations	
Decrease (increase) in net current assets employed	
Increase in short term borrowings	
Increase in long term debt including short term portion, net	
Increase in minority interest, other	
Sales of shares under stock option plans	
Total funds generated	

Use of funds

Additions to property, plant and equipment net of 1,918 (1980 - 1,264) retirements	
Property, plant and equipment of consolidated subsidiaries acquired	
Increase (decrease) in investments in and advances to unconsolidated subsidiaries and affiliates, net	
Increase in other assets, net	
Unrealized exchange, net	
Acquisition of intangibles including goodwill	
Dividends paid	
Total funds used	

FINANCIAL POSITION

1981	1980
(14,804)	684
8,905	8,139
(2,997)	350
830	546
721	446
(7,345)	10,165
14,139	(20,353)
23,745	28,728
991	628
31	4,391
—	11
31,561	23,570

HunterDouglas

Printed in the Netherlands

In thousands of Dutch guilders

	Six months ended June 30	
	1972	1971
Net sales	323,308	277,289
Net income after taxes and minority interest	10,468	9,877
Net income per common/deferred share (based on average number outstanding during period and 1971 adjusted for extraordinary stock dividend)	Dfl. 1.75	Dfl. 1.65

The above Dutch guilder amounts are shown for information purposes only and have been converted from U.S. dollars at the average rates of exchange prevailing during the reporting periods.

The average value of Dutch guilders related to U.S. dollars rose from 3.585 for the first half of 1971 to 3.1925 for the comparable 1972 period. This distorts comparison, the more so since currency values in many other countries where we do business changed to a lesser extent or not at all in relation to U.S. dollars.

If present exchange rates prevail, comparison for the full year will show less disparity.

interim report

six months ended June 30, 1972

Hunter Douglas Group 

To our shareholders

The Hunter Douglas Group has again achieved sales and earnings records in the first half year of 1972.

Net sales for the first six months of 1972 rose to US\$ 101,271,000, up 31% from US\$ 77,347,000 for the first half of 1971. Net income for the same period (after minority interest and taxes) increased to US\$ 3,279,000, an advance of 19% over US\$ 2,755,000 for 1971. Earnings per average share outstanding during the first six months advanced to US\$ 0.55 from US\$ 0.46 for the same period last year.

In accordance with common practice among multinational companies, our results are converted at the average rate of exchange prevailing during the period into our historic reporting currency, U.S. dollars. For information purposes only, Dutch guilder amounts are given on a separate page.

Approximately half of the sales increase reflects internal growth, while the remainder represents recently acquired operations which had not been consolidated during the comparable period in 1971. The results also reflect differences in currency values between the two reporting periods.

Traditionally the second half of the year contributes a larger portion of our annual earnings. Thus, during recent years the first six months represented between 35% and 40% of annual earnings. We expect a similar seasonal pattern to continue.

Our performance in the first six months of 1972 reflects growing demand for our principal products, as well as the benefits resulting from our extensive product range, paired with wide geographic distribution of our business. Our consumer, building, and architectural products continued to benefit from growth trends in the building and home improvement fields, as well as in labour-saving and prefabricated product areas. Our recent expansion into leisure living products is showing good progress and results. Our precision equipment operations have maintained a high level of activity notwithstanding the generally

uncertain state of the industry. Their sales volume did not increase, however, and, therefore, this division now represents only 24% of our total sales compared to 31% during the comparable 1971 period. Changes in the composition of our business have reduced our profit percentage on sales; nevertheless the return on investment ratio is being maintained.

Based on existing plans and programs, we continue to see good growth potential in our major areas of activity and expect to achieve meaningful increases in sales and earnings for the full year.

During the reporting period, we acquired a majority interest in Graf GmbH, one of Germany's foremost manufacturers of garage doors. This represents a natural extension of our range of building products. We also established a base for expansion of our flexible packaging operations by acquiring two small companies in this field in the Benelux. These acquisitions are part of the Group's development program which emphasises internal growth, complemented by acquisitions of companies whose product programs and manufacturing facilities are in areas related to our own activities. On the other hand, we have disposed of a few small operations whose growth potential we consider to be limited and whose activities do not fit into the mainstream of the Group's corporate development plans. Some had been acquired in conjunction with larger operations.

The Group's 1971 dividend, amounting to Dfl. 1 in cash or stock equivalent, was distributed on August 1, 1972. All deferred shareholders and more than 90% of our common shareholders chose to receive the stock dividend. This will increase our capitalisation by approximately 2%.



Rotterdam,
August 30, 1972

President

Hunter Douglas N.V.

Consolidated statement of income

for the six months ended June 30, 1972 (in thousands of U.S. dollars)

	1972	1971 *
Sales, less returns and allowances	101,271	77,347
Cost of sales	71,253	53,061
Gross profit	30,018	24,286
Selling, general and administrative expenses	22,587	17,229
Income from operations	7,431	7,057
Other expenses	1,256	1,183
Income before income taxes	6,175	5,874
Income taxes	2,543	2,735
Income before minority interest	3,632	3,139
Minority interest	353	384
Net income	3,279	2,755
Net income per common and deferred share (based on average number outstanding during period)	\$ 0.55	\$ 0.46

Consolidated statement of changes in financial position

for the six months ended June 30, 1972 (in thousands of U.S. dollars)

Source of funds

	1972	1971 *
From operations		
Net income	3,279	2,755
Charges to operations not requiring an outlay of cash		
Depreciation and amortization	2,605	2,311
Provisions - net	730	519
Income applicable to minority interest, net of dividends in 1972 of \$ 139,469 (1971 - \$ 273,709)	213	110
Other	50	63
Total working capital provided by operations	6,877	5,758
Increase in long-term debt - net	4,422	4,546
Sale of shares under stock option plans	152	23
Deferred exchange credits	(182)	237
	11,269	10,564

Use of funds

Additions to property, plant and equipment, net of retirements in 1972 of \$ 439,143 (1971 - \$ 340,460)	4,689	4,239
Property, plant and equipment of consolidated subsidiaries acquired	1,176	2,144
Decrease (increase) in minority interest	(2,336)	723
Increase in other assets - net	7,557	1,731
	11,086	8,837
Increase in working capital	183	1,727

* Hunter Douglas Limited, predecessor company, adjusted for extraordinary stock dividend and partially reclassified.

Subject to year end audit

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Hunter Douglas Group 